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**UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF CALIFORNIA
OAKLAND DIVISION**

BEN BROWNBACK, Individually and on
Behalf of All Others Similarly Situated,

Plaintiff,

vs.

APPLOVIN CORPORATION, ADAM
FOROUGH, HERALD CHEN, MATTHEW
STUMPF, and VASILY (BASIL) SHIKIN,

Defendants.

Case No. 4:25-cv-02772-HSG

CLASS ACTION

AMENDED COMPLAINT FOR
VIOLATIONS OF THE FEDERAL
SECURITIES LAWS

DEMAND FOR JURY TRIAL

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1 Lead Plaintiffs Northern California Pipe Trades Trust Funds and Monroe County Employees’
 2 Retirement System (together, “Lead Plaintiffs”), by and through their undersigned counsel, allege
 3 the following upon personal knowledge as to themselves and their own acts, and upon information
 4 and belief as to all other matters.¹

5 **I. INTRODUCTION**

6 1. This securities class action is brought on behalf of those who purchased or otherwise
 7 acquired AppLovin Class A common stock between November 7, 2024 and March 27, 2025,
 8 inclusive (the “Class Period”), seeking to pursue remedies under §§10(b), 20(a), and 20A of the
 9 Securities Exchange Act of 1934 (“Exchange Act”) and Rule 10b-5 promulgated thereunder.

10 2. AppLovin is an advertising technology (“ad tech”) company headquartered in Palo
 11 Alto, California, that specializes in brokering the sale of digital ad space on free-to-play mobile
 12 games and, until recently, also operated its own portfolio of mobile games with a significant number
 13 of daily players. Put simply, the Company’s core advertising business offers a marketplace where
 14 companies can advertise on their apps and/or place ads for their apps. The ads are then sorted by
 15 AppLovin’s proprietary and supposedly artificial-intelligence (“AI”) based recommendation engine
 16 called AXON, which purportedly uses predictive algorithms to enable advertisers to match their apps
 17 to users who are more likely to download them. As of early 2024, nearly all of AppLovin’s
 18 advertising revenue was mobile game related, and was derived both from businesses using its ad
 19 software and consumers making in-app purchases on its own mobile games.

20 3. By May 2024, the Company began to explore the possibility of launching an e-
 21 commerce ad product that would build upon its purported success with AXON within the mobile
 22 gaming arena. Specifically, AppLovin announced its intention to transfer its experience in the

23 ¹ Lead Plaintiffs’ information and belief is based on, among other things, the independent
 24 investigation of Lead Counsel, which includes, but is not limited to, a review and analysis of:
 25 (a) AppLovin Corporation’s (“AppLovin” or the “Company”) public filings with the U.S. Securities
 26 and Exchange Commission (“SEC”); (b) transcripts of AppLovin senior management’s conference
 27 calls with investors and analysts; (c) releases and media reports issued about and disseminated by the
 28 Company; (d) analyst reports issued about AppLovin; (e) other public information and data
 regarding the Company; (f) information obtained from former AppLovin employees and ad tech
 experts; and (g) documents cited herein. Lead Plaintiffs believe that substantial additional
 evidentiary support will exist for the allegations set forth herein after a reasonable opportunity for
 discovery.

1 mobile gaming world, and specifically with AI, to the direct to consumer (“DTC”), or e-commerce
2 space. Throughout the pivot to e-commerce, AppLovin management touted its success, analogizing
3 the e-commerce transition to the Company’s prior success following deployment of its AXON 2.0
4 AI product. Analysts took note, commenting on investor confidence in the Company’s ability to
5 achieve its growth targets and expand into the e-commerce space, and the potential for this
6 expansion to completely change AppLovin’s “narrative.” This narrative was built on AppLovin
7 touting its algorithmic models as its secret sauce to its impressive results that were significantly
8 higher than industry average in important metrics such as Return on Ad Spend (“ROAS”).

9 4. What Defendants (defined below) failed to disclose, however, was that AppLovin’s
10 growth in mobile gaming was driven by an array of deceptive practices that Defendants knew would
11 be difficult, if not impossible, to scale for e-commerce for any prolonged time period. Among the
12 shady practices utilized by AppLovin to boost its performance metrics were: (a) creating
13 unsustainable revenue streams through incentives and discounts; (b) coercing unintentional
14 installations of apps; (c) designing ads to maximize clicks and impressions; (d) tracking and
15 retargeting consumers in violation of platform rules and privacy safeguards; and (e) manipulating
16 attribution data in order to claim credit for sales driven by much larger marketplace participants such
17 as Meta Platforms, Inc. (formerly known as Facebook, Inc.) (“Meta”). These practices were at the
18 heart of the Company’s operations and allowed AppLovin to materially overstate both the demand
19 for its advertising services and the true performance of its mobile ad-gaming platform.

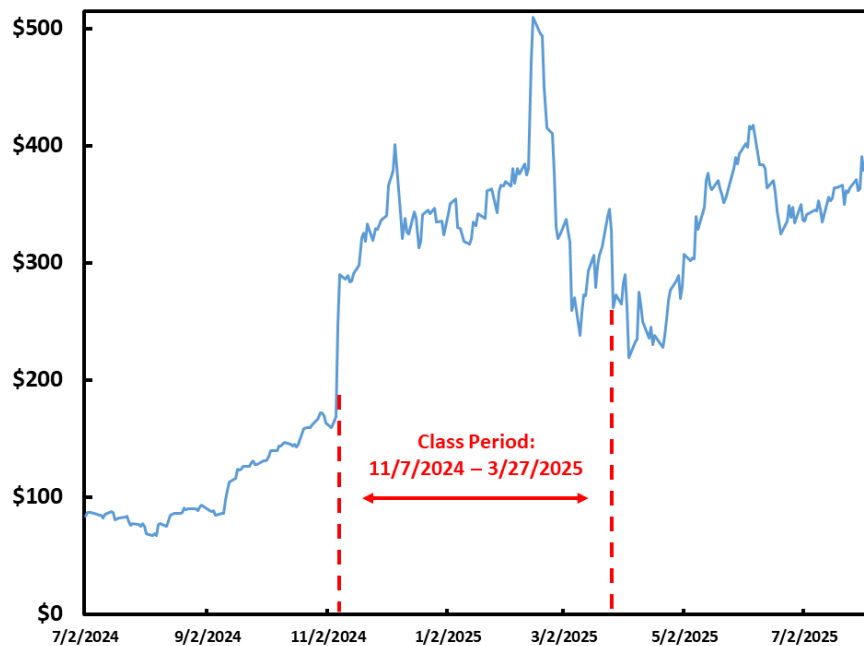
20 5. Building on what Defendants touted as AppLovin’s breakthrough success in mobile
21 ad-gaming and AI-driven advertising, AppLovin launched its pilot program further expanding into e-
22 commerce in the latter half of 2024 by offering generous incentives to a limited group of advertisers
23 that were already spending substantial amounts advertising with Meta. Throughout the Class Period,
24 Defendants touted the initial success of the e-commerce pilot, when, in reality, Defendants had
25 overstated the Company’s AI capabilities and organic scalability of its e-commerce business, and
26 concealed that its revenue growth was low-quality, unsustainable, and premised on an array of
27 deceptive practices.

1 6. Nevertheless, Defendants’ scheme and public misstatements had their intended effect.
2 On November 7, 2024 alone (*i.e.*, the first day of the Class Period), the price of AppLovin’s Class A
3 common stock jumped \$77.98 per share, or 46%, as more than 18 million shares changed hands after
4 AppLovin announced its third quarter 2024 (“3Q24”) results, including year-over-year revenue
5 growth of 39%, net income growth of 300%, and adjusted earnings before interest, taxes,
6 depreciation, and amortization (“EBITDA”) growth of 72%. AppLovin’s stock price skyrocketed by
7 more than 750% in 2024, significantly outperforming the NASDAQ composite index, which
8 increased around 30% in 2024. Over the following months, as Defendants continued their deceptive
9 practices and issued further false and misleading statements to the market, AppLovin’s stock price
10 continued to increase and trade at inflated levels up to and exceeding \$510 per share. Insiders took
11 full advantage, selling ***more than \$2.6 billion*** of AppLovin stock during the five-month Class Period
12 while shares traded at artificially inflated levels. The Individual Defendants (defined below)
13 accounted for nearly \$1 billion in sales, while private equity sponsor KKR (defined below) sold
14 more than \$1.6 billion on a single day while completely exiting its position.

15 7. Defendants were well aware of the true nature of AppLovin’s operations and that
16 their Class Period statements were misleading when made. The Individual Defendants (*i.e.*, the
17 highest-ranking corporate officers at AppLovin) were all directly involved in the founding and
18 management of the closely-held Company. Indeed, the fraud itself involved the Company’s core
19 business operations, and the Individual Defendants routinely displayed their personal, granular
20 knowledge of AppLovin’s advertising practices and e-commerce initiative in their detailed answers
21 to analyst questions on quarterly earnings calls and during investor conferences. Defendants also
22 later admitted that the Company deliberately “constrained” the advertiser onboarding for its e-
23 commerce platform during the Class Period, and their personal experience at prior companies
24 evidences their knowledge and pattern of utilizing deceptive practices to create a false growth
25 narrative.

26 8. Investors began to learn the truth in February 2025, as short sellers and other market
27 commentators issued a number of investigative reports revealing AppLovin’s deceptive practices and
28 the unsustainable and unscalable nature of the Company’s pivot to e-commerce. These reports were

well researched and detailed, buttressed by industry experts and refined analyses of AppLovin's business, and demonstrated the true drivers of the Company's purported growth. By the time the truth was fully revealed in March 2025, the price of AppLovin's Class A common stock had fallen from a Class Period high of \$510 per share to less than \$275 per share—a staggering decline of 46%, wiping out billions in market cap. Lead Plaintiffs and other investors who purchased or acquired AppLovin's Class A common stock during the Class Period collectively suffered significant damages.



II. JURISDICTION AND VENUE

9. The claims alleged herein arise under §§10(b), 20(a), and 20A of the Exchange Act (15 U.S.C. §§78j(b), 78t(a), and 78t-1), and Rule 10b-5 promulgated thereunder by the SEC (17 C.F.R. §240.10b-5).

10. This Court has jurisdiction over the subject matter of this action pursuant to §27 of the Exchange Act (15 U.S.C. §78aa) and 28 U.S.C. §1331.

11. Venue is proper in this District pursuant to §27 of the Exchange Act and 28 U.S.C. §1391(b). AppLovin's headquarters were located within this District during the Class Period, the statements issued by Defendants alleged herein to be actionable were prepared, reviewed in, and disseminated from this District, and Defendants conducted substantial economic activity in this

1 District. As such, substantial acts in furtherance of the alleged misconduct have occurred in this
2 District.

3 12. In connection with the acts alleged in this complaint, Defendants, directly or
4 indirectly, used the means and instrumentalities of interstate commerce, including, but not limited to,
5 the mails, interstate telephone communications, and the facilities of the national securities markets.

6 **III. PARTIES**

7 13. Lead Plaintiff Northern California Pipe Trades Trust Funds (“NorCal Pipe”) is a
8 multi-employer defined benefit pension plan that provides health welfare and pension benefits for
9 workers in the pipe trades industries. As of October 2024, approximately 4,250 people were
10 participants in or beneficiaries of the plan and NorCal Pipe had over \$500 million in assets under
11 management.

12 14. Lead Plaintiff Monroe County Employees’ Retirement System (“Monroe County”) is
13 a defined benefit pension plan that provides retirement, disability, and death benefits to more than
14 1,600 members and beneficiaries, with more than \$257 million in assets under management.

15 15. Lead Plaintiffs each purchased AppLovin Class A common stock at artificially
16 inflated prices during the Class Period and suffered damages as a result of the violations of the
17 Exchange Act alleged herein, as set forth in their previously filed certifications (*see* ECF No. 31-2).

18 16. Defendant AppLovin is a publicly traded ad tech company incorporated under the
19 laws of Delaware and headquartered in Palo Alto, California. AppLovin was founded in 2011 and
20 went public in April 2021, and its Class A common stock trades on the NASDAQ under the trading
21 symbol “APP.” Its Class B and Class C common stock are neither listed nor traded. AppLovin is
22 considered a “controlled company” within the meaning of NASDAQ corporate governance
23 requirements.

24 17. Defendant Adam Foroughi (“Foroughi”) is one of AppLovin’s co-founders. Foroughi
25 is and was, at all relevant times, AppLovin’s Chief Executive Officer (“CEO”) and Chairperson of
26 its Board of Directors (the “Board”). Prior to founding AppLovin, Foroughi co-founded two
27 different ad tech companies, Lifestreet Media Inc. and Social Hour Inc. Prior to that, he worked as a
28 web traffic analyst for Claria Corporation (formerly Gator Corporation). During the Class Period,

1 Foroughi sold 1,043,530 shares of AppLovin stock at artificially inflated prices for proceeds of
2 \$350,430,570.

3 18. Defendant Herald Chen (“Chen”) was the Chief Financial Officer (“CFO”) of
4 AppLovin from November 2019 until December 2023. In January 2024, Chen transitioned into a
5 new role as advisor to CEO Foroughi. Prior to working at AppLovin, Chen served as the head of
6 Technology, Media, and Telecom at the private equity firm Kohlberg Kravis Roberts & Co. L.P.
7 (together with its affiliates, “KKR”) from 2007 to 2019. Chen also joined the Board in August 2018,
8 when he led KKR’s \$400 million equity investment in AppLovin that year. KKR fully disposed of
9 its AppLovin stock in November 2024 for over \$1.6 billion in proceeds. Chen remains a member of
10 the Company’s Board. During the Class Period, Chen also personally sold 790,000 shares of
11 AppLovin stock at artificially inflated prices for proceeds of \$262,938,721.

12 19. Defendant Matthew Stumpf (“Stumpf”) has been the CFO of AppLovin from
13 January 1, 2024 to the present. Prior to that position, he served as AppLovin’s Vice President of
14 Finance, originally joining the Company in 2020. During the Class Period, Stumpf sold 51,525
15 shares of AppLovin stock at artificially inflated prices for proceeds of \$16,914,120.

16 20. Defendant Vasily (Basil) Shikin (“Shikin”) is and was, at all relevant times,
17 AppLovin’s Chief Technology Officer (“CTO”). Prior to becoming the Company’s CTO, Shikin
18 served as AppLovin’s Vice President of Engineering from January 2012 to January 2020. During
19 the Class Period, Shikin sold 1,145,227 shares of AppLovin stock at artificially inflated prices for
20 proceeds of \$362,454,075.

21 21. Defendants Foroughi, Chen, Stumpf, and Shikin are collectively referred to herein as
22 the “Individual Defendants.” The Individual Defendants and AppLovin are collectively referred to
23 herein as “Defendants.”

24 22. The Individual Defendants, because of their positions with the Company, possessed
25 the power and authority to control the contents of AppLovin’s quarterly reports, shareholder letters,
26 releases, and presentations to securities analysts, money and portfolio managers, and investors (*i.e.*,
27 the market). The Individual Defendants were provided with copies of AppLovin’s reports and press
28 releases alleged herein to be misleading prior to or shortly after their issuance and approved or

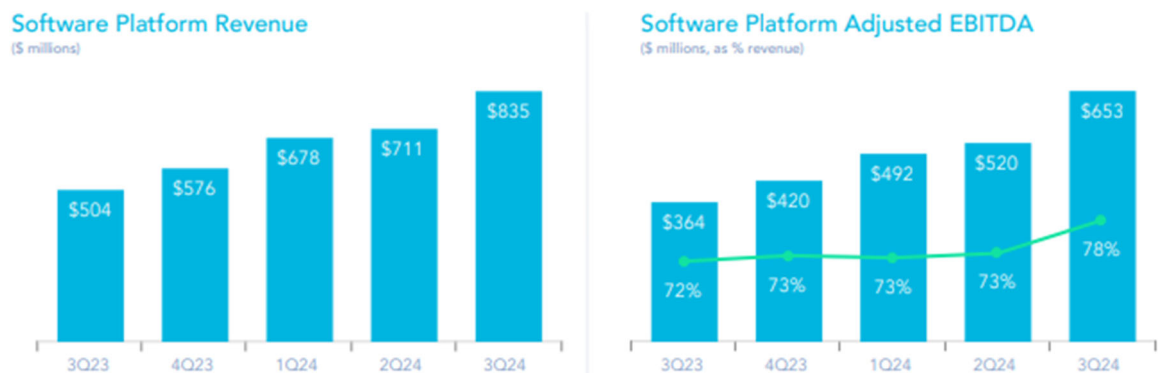
ratified the statements therein and/or had the ability and opportunity to prevent their issuance or cause them to be corrected. Because of their positions with the Company, their direct participation in the management of the Company, their direct involvement in the day-to-day operations of the Company, and their access to material, nonpublic information available to them, the Individual Defendants knew or recklessly disregarded that the adverse facts specified herein had not been disclosed to and were being concealed from the public, and knew or recklessly disregarded that the positive representations being made were then materially false.

IV. BACKGROUND

A. AppLovin's Business

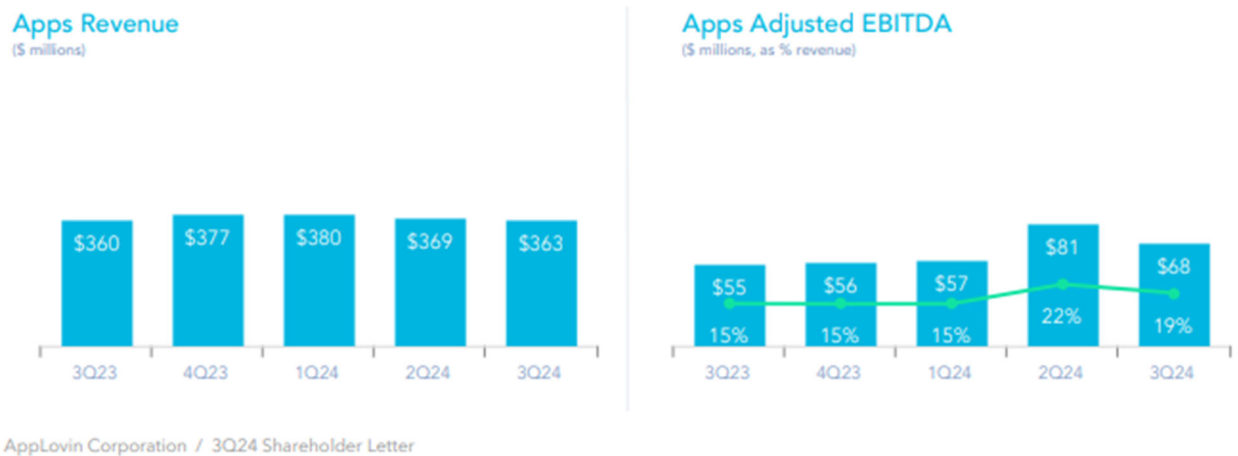
23. AppLovin is an ad tech company whose business model focuses on serving ads in free-to-play mobile games. During the Class Period, AppLovin generated revenue from two segments: (a) its Advertising segment (f/k/a Software Platform), through which the Company provided a platform for advertisers to reach audiences within mobile games; and (b) its Apps segment consisting of a portfolio of over 200 free-to-play mobile games that the Company operated through a network of ten studios.² In 2024, the Company received approximately \$3.2 billion of its revenue from its Advertising segment (68% of total revenue) and approximately \$1.5 billion from its Apps segment (32% of total revenue).

24. The Company reported sequential growth in Advertising (formerly Software Platform) revenue and EBITDA in the quarters leading up to the Class Period:



² The Advertising segment was known as the Software Platform segment up until the Company's announcement of its fourth quarter 2024 ("4Q24") results in February 2025.

25. Reported revenue and EBITDA for the Apps segment, on the other hand, remained relatively flat leading up to the Class Period:



1. Advertising Segment

26. AppLovin claims to provide AI-powered advertising products to automate its clients' marketing and monetization campaigns, whereby the Company uses real-time auctions to facilitate both sides of advertising transactions—coordinating the sale of advertising inventory (*i.e.*, ad space) from publishers (the owners of digital ad space) to advertisers. AppLovin's digital ad inventory is comprised of primarily free-to-download mobile games, and its advertising platform purportedly provided advertisers with access to approximately **1.6 billion** daily active users as of December 31, 2024.³

27. The vast majority of the Company's advertising revenue is generated through the Company's AppDiscovery and MAX products, which are used in tandem to match advertisers and publishers of digital ad space via auctions at large scale and microsecond-level speed through the use of the Company's AI recommendation engine, AXON 2.0.

28. According to the Company's SEC filings, the transaction price that AppLovin receives for each placed ad "is the product of either the number of completions of agreed upon actions or advertisements displayed and the contractually agreed upon price per advertising unit with

³ AppLovin defines its "active users as the average number of unique device identities that open a mobile app (whether that mobile app our own or a third party's) which has our software development kit (SDK) on each day in a period."

the advertiser” less consideration owed to the ad publisher. AppLovin recognizes “Advertising Revenue when the agreed upon action is completed or when the ad is displayed to users.” Advertising revenue is generated from advertisers “typically on a performance-based, cost-per-install basis,” then shared with publishers “typically on a cost per impression model.”⁴

29. **AppDiscovery** is AppLovin’s advertising platform. It provides the Company’s advertiser clients—historically consisting primarily of mobile app creators—with software products to create and monitor advertising campaigns for user acquisition and monetization. AppDiscovery purportedly uses “AXON’s predictive algorithms” to target users who are more likely to download and engage with an advertiser’s products. Additionally, AppDiscovery provides its own analytics data to advertisers regarding their returns on investment. AppLovin proclaims that AppDiscovery is the “cornerstone” of the advertising business, “comprising a vast majority” of the Company’s advertising revenue.

30. **MAX** is AppLovin’s mediation platform. An ad mediation platform is a technology that automates the process of finding the most profitable ad for each user and enables app developers to manage and optimize their ad inventory in one centralized place. It sells publishers’ ad inventory to advertisers using automated, real-time auctions that occur in microseconds, and the highest bidding advertiser wins the ad impression. The Company claims “MAX yields more targeted users for advertisers and enables publishers to achieve better competitive prices for each impression” and is the “preferred in-app bidding solution for many publishers worldwide.”

31. **AXON** is AppLovin’s AI-based recommendation engine that purportedly uses predictive algorithms to enable advertisers to match their apps to users who are more likely to download them. As part of its growth strategy, AppLovin indicated its plans to improve AXON to grow the Advertising segment, and claimed “[t]he continued development of [its] AI-powered AXON advertising engine is critical to our future growth and competitive advantage.” AppLovin

⁴ Under a “cost-per-install” (“CPI”) model, the advertiser pays a fixed rate to an ad network for each time its app is installed on a device. Under a “cost per impression” model, the advertiser pays a fixed cost per ad impression (*i.e.*, view). The most commonly used cost per impression model is “cost per mille” (“CPM”), where advertisers pay a fixed rate for every one thousand times their ad is displayed to users.

1 launched AXON 2.0 in 2023, and the Company has frequently touted that the program is continually
 2 improving through self-learning. Indeed, according to the Company:

3 On an ongoing basis, AXON AI's models experience compounding
 4 improvements through self-learning, continuing data ingestion, and engineering
 oversight and enhancements. As more advertisers use our performance-based
 5 advertising solutions, the models improve through additional data and better insights
 (per the collection described above), which then further enhances the efficiency and
 effectiveness of our performance-based advertising solutions.

6 32. **Array** is an app management software that sends on-device app recommendations to
 7 users, allowing mobile operators (*i.e.*, original equipment manufacturers like Samsung and
 8 T-Mobile) to monetize by using direct downloads on Array's AppHub to install AppLovin-
 9 advertised apps on Array-enabled devices, circumventing app stores such as Apple's App Store or
 10 the Google Play Store.⁵ AppLovin's website describes that process as follows: (a) a user receives an
 11 ad; (b) the user is then referred to the advertiser's landing page; and (c) the app is installed through
 12 AppHub. According to the Company, "Array helps developers drive growth through Direct
 13 Download."

14 33. **Audience+** is the Company's e-commerce marketing platform. Audience+ (or
 15 "AudiencePlus") is powered by AXON and purportedly targets and tracks consumers through AI-
 16 powered ads in mobile apps using AXON Pixel. AXON Pixel is a JavaScript code that allows
 17 advertisers to track visitor activity, including actions like page views, adding an item to an online
 18 shopping cart, or completing a purchase. Audience+ is available by invitation only.

19 34. **Adjust** is AppLovin's wholly-owned mobile measurement partner that provides
 20 attribution, analytics, and measurement services designed to track and attribute specific user actions
 21 (*e.g.*, installs or purchases) to the correct ad network that supposedly drove the action and thus,
 22 decides what ad gets credited and compensated for the install or purchase. Adjust uses an
 23

24
 25
 26
 27 ⁵ AppLovin's Array Privacy Policy states that the Array Services are "comprised of the
 28 preinstalled Array application, the Array software development kit (the 'SDK') if applicable, and
 Direct Download, which facilitates the on-device installation of mobile apps that you choose to
 download through the Array Services."

“attribution waterfall” to work backward from the install or purchase to find the last reliable ad engagement (either clicks or impressions) within a defined attribution window to credit the action.⁶

2. Apps Segment

35. During the Class Period, the Company’s Apps revenue consisted of both in-app purchase revenue generated from users’ in-app purchases within the Company’s mobile applications and in-app advertising revenue generated from advertisers that purchased ad inventory from the Company’s applications. The Company’s in-app purchase revenue included fees collected from mobile users to purchase virtual goods within mobile games and apps. In contrast, in-app advertising revenue, which was generated by selling ad inventory on the Company’s apps to third-party advertisers, would be recognized “when the ad is displayed to users.”

36. The Company’s Apps segment operated more than 200 free-to-play, “hypercasual” mobile games through ten game studio subsidiaries: Athena Studio, Belka Games, Clipwire Games, Leyi, Lion Studios, Machine Zone, Magic Tavern, PeopleFun, Zenlife Games, and Zeroo Gravity.

37. In February 2025, AppLovin announced with its 4Q24 results that it would be selling its Apps segment to focus solely on its core Advertising business. On May 7, 2025, the Company entered into a purchase agreement with London-based Tripledot Studios (“Tripledot”) and its subsidiaries to sell the equity interests of AppLovin’s wholly-owned subsidiaries that operated the Apps business. The sale of AppLovin’s Apps business was completed on June 30, 2025 for \$400 million in cash and an approximate 20% equity stake (\$400 million in equity) in Tripledot.

B. AppLovin Rolls out AXON 2.0 in 2023 and Announces Plans to Expand into E-Commerce in 2024

38. AppLovin launched a revamped version of its AXON engine—AXON 2.0—in the second quarter of 2023, which purportedly implemented AI and machine learning enhancements to improve the engine’s ad targeting capabilities. Foroughi likened the upgrade from AXON 1 to AXON 2 as “no different than OpenAI moving from ChatGPT 3 to 4.” When asked during a February 14, 2024 earnings call about the main differences between AXON 2 and AXON 1,

⁶ Adjust was acquired by AppLovin in 2021, and its integration allows AppLovin to receive attribution and in-app event data through automated callbacks.

1 however, Foroughi could provide no specific details about the improvements in its “black box
2 algorithm”:⁷

3 **[William Blair Analyst:]** We get the question all the time in simple terms, if you
4 could explain what’s the main difference from AXON 2 versus AXON 1. Maybe
5 just for simplicity sake, for investors sort of frame what’s the biggest change or
6 observation you see on your end?

7 **[Foroughi:]** Yes, it’s just better. I mean just the technology is built to scale
8 better, it’s more efficient, more effective. These are predictive technologies at the
9 end of the day. And I’m drawing the analogy to Chat GPT. And the only reason I do
10 that is because we can all type in a box and get a result. And we all know that Chat
11 GPT 3 to 3.5 to 4, 4 was better than 3.5, it was better than 3, right? But we could
12 have seen that.

13 Well, what we can’t see in a black box algorithm is a type in and a result. But
14 what we can see is that what we’re trying to predict is show an advertisement to a
15 consumer for some advertiser and drive value to the advertiser. And there’s a whole
16 bunch of predictions along the way, and AXON 2 makes them better than the prior
17 version. And that creates a lot of efficiency gain, both for our business and that of
18 our partners.

19 39. As of early 2024, nearly all of AppLovin’s advertising revenue was mobile game
20 related, with AXON 2.0 being credited for driving impressive year-over-year revenue growth. At
21 the time, the vast majority of AppLovin’s ad business was premised on showing ads for mobile
22 games inside of other mobile games in an attempt to drive downloads of the advertised games. But
23 the Company claimed its AXON 2.0 product purportedly had broader potential and that, in addition
24 to improved user targeting, AXON 2.0 had been designed for use outside mobile games, including
25 for e-commerce vendors. In other words, AXON 2.0 could be used to match users with direct-to-
26 consumer ads for commercial goods.

27 40. By May 2024, the Company began to publicly discuss the launch of a web-based e-
28 commerce ad product as part of a broader strategy of moving into industries and ad verticals outside
of mobile gaming, and AppLovin began using its AXON 2.0 engine to power its marketing platform
for e-commerce brands across its purported base of more than one billion daily active app users.

⁷ A “black box” AI system is one where users can see the inputs and outputs to an AI model, but cannot see the inner workings or algorithms to determine how the model comes to its conclusions. IBM, *What is black box AI?*, <https://www.ibm.com/think/topics/black-box-ai> (last accessed Sep. 12, 2025). The lack of transparency makes it difficult to users to validate the outputs of such systems, and “the opacity of a black box model can hide cybersecurity vulnerabilities, biases, privacy violations and other problems.” *Id.*

41. AppLovin's e-commerce opportunity was massive. For instance, analysts at Macquarie Equity Research later sized AppLovin's e-commerce ad opportunity at ~\$120 billion, noting that "[t]he ecommerce [direct-to-consumer] performance advertising market is 2-3x the size of AppLovin's mobile games user acquisition market of \$40-50bn." As Foroughi later claimed, "there are over 10 million businesses worldwide [that] advertise online that could eventually use our platform profitably."

42. As news of the Company's e-commerce pilot rolled out, market analysts grew intrigued with the potential for AXON 2.0's success in e-commerce, with a number of sell-side analysts citing AppLovin's e-commerce vertical as a catalyst for the Company's future growth. By September 2024, following a series of meetings Defendants held with analysts and investors, numerous market analysts reported on AppLovin's confidence that e-commerce revenue would materially contribute to the Company's 2025 Advertising revenues.

43. For instance, following a mid-quarter meeting with Foroughi and Stumpf to discuss e-commerce potential, analysts at BofA Securities made an upward adjustment to their 2025 revenue model to "include[] a 10% eCommerce contribution (up from 4%)" for 2025, stating:

Management gave us enough specifics on the generalizability of its AI Engine, its target customer profile, competitiveness of its value proposition, and its likely go to market partners to reflect their confidence in our models.

44. Analysts at BTIG likewise raised their estimates and price target based, in part, on the Company's e-commerce expansion following its mid-3Q24 meetings:

Similar to the gaming space, commerce markets are looking for performant alternatives to Meta . . . , but will only meaningfully ramp spend on a new platform if performance is superior to the alternative. *CEO Adam Foroughi also noted that he wouldn't have made public declarations around the commerce business and their confidence in scaling the extension if he didn't believe that they had solved everything other than the go-to-market aspect.* Management also reminded participants that the last time they told investors to take notice of ongoing improvements was in late '23/early '24 when the share price was ~\$10 and they began highlighting the potential impact of the Axon 2.0 rollout.

45. Management's affirmations began to be reflected in the stock price. In a September 27, 2024 report, Morgan Stanley analysts noted that AppLovin's stock price had "risen by 38% since the start of the month, despite a lack of new financial results or public announcements from the company," which they believed to be driven "by increased investor confidence in APP's

1 ability to achieve its growth targets and potentially expand into new verticals, as a result of a series
 2 of meetings that management has held with investors.” Accordingly, analysts were going to be
 3 closely monitoring the Company’s progress as it scaled its e-commerce pilot across more customers,
 4 as “[e]arly success could have meaningful implications for future growth.” Indeed, those same
 5 Morgan Stanley analysts stated the Company’s ability to scale its e-commerce product had the
 6 potential to change AppLovin’s entire growth “narrative”:

7 *That said, we believe success in ecommerce has the potential to be narrative-*
 8 *changing for APP*, as it would not only be a driver of growth/earnings
 9 diversification, but also evidence that the company could eventually build an ad
 business that extends far beyond the core “games running ads inside other games”
 offering that defines it today.

10 46. As *Bloomberg* later noted in a July 23, 2025 article titled “AppLovin Short Sellers
 11 Discover Mobile Ad Tech’s Ugly Underbelly,” however, the Company’s narrative-changing growth
 12 driver in the e-commerce space would ultimately require AppLovin to beat out established e-
 13 commerce advertisers like Meta and Google:

14 [W]hile AppLovin is very good at getting people who play free mobile games to
 15 download other free mobile games, *its peer-beating valuation hinges on its ability to*
 16 *graduate to getting people to buy products in the so-called direct-to-consumer*
space.

17 This puts AppLovin in direct competition with the big boys, particularly Meta
 Platforms Inc. and Alphabet Inc.’s Google.

18 47. Thus, Defendants were keenly aware that the Company’s valuation was tied to the
 19 success of its highly-touted e-commerce pilot, and undertook steps to make its initial launch look as
 20 successful as possible. To this end, AppLovin restricted inclusion to its e-commerce pilot and
 21 offered generous incentives in the latter half of 2024 to an initial limited and self-selected customer
 22 group of high-spending advertisers—extending ad credits of up to \$10,000 to select DTC brands that
 23 spent at least \$600,000 a month on Meta’s advertising platform. By doing so at a time when e-
 24 commerce spend would receive a guaranteed seasonality boost in the third and fourth quarters from
 25 holiday spending, Defendants ensured they could show initial explosive growth in the program.
 26 Despite Defendants’ growth claims, however, the Company’s e-commerce product has yet to be
 27 rolled out to a broad advertising audience and remains available by invite only.

C. AppLovin's Valuation Catapults in November 2024 from Its Purported E-Commerce Success

48. By November 2024, the Company's e-commerce pilot was well underway. During the November 6, 2024 earnings call with analysts and investors to discuss the Company's 3Q24 results, Foroughi touted the Company's e-commerce product as "the best product I've ever seen released by us, fastest growing." According to Foroughi, the Company's e-commerce platform was expected to materially contribute to AppLovin's revenue in 2025:

And for e-commerce to really drive material impact, and let's define that by 10% plus, is going to take some time to ramp up to. But we've never seen anything that looks like this in terms of strength in market. And so if it does scale the way we think it will, it's going to make an impact in '25.

49. According to Foroughi, the Company's e-commerce platform was "maybe the most innovative advertising technology that the world has yet seen," and would allow AppLovin "to service tens of thousands to hundreds of thousands to millions of advertisers on our platform."

50. Foroughi also claimed, *inter alia*, that the Company's nascent e-commerce data "has exceeded our expectations, with the advertisers in the pilot seeing substantial returns, often surpassing those from other media channels and, in many cases, experiencing nearly 100% incrementality from our traffic." *See* §VI.A., *infra*.

51. The market immediately took note. AppLovin's stock price jumped \$77.98 per share the trading day following the Company's November 6, 2024 announcements, with numerous market analysts highlighting Defendants' claims on the e-commerce pilot driving the increased valuation:

(a) BTIG analysts "point[ed] to [Audience+] potentially being more impactful [to the Company] than the Axon 2.0 launch was in its first year";

(b) Jeffries analysts noted that "[p]erhaps the most positive data point from the [November 6, 2024] call was the fact that APP's new e-comm pilot is the 'best product they've ever released'";

(c) HSBC raised its 2024 and 2025 earnings per share ("EPS") forecasts for the Company, citing "earlier gains from the e-com expansion" and "management's bullish tone around the upcoming e-com product launch"; and

(d) J.P. Morgan increased its December 2025 price target by 25% “from \$160 to \$200 to reflect our upward estimate revisions and a higher multiple due to more confidence in e-commerce expansion,” noting “APP is increasingly confident e-commerce will scale significantly in 2025 & beyond.”

52. Following conversations with Stumpf, Piper Sandler reported on November 26, 2024 that “[t]he biggest [investor] debates center around future model improvements & the scalability of **E-Commerce**,” with Stumpf relaying that “[o]n E-Commerce, early results suggest the spend is incremental and advertiser feedback has been very positive.” According to Piper Sandler, it “had a number of investor conversations,” and “[m]ost investors seem to agree E-Commerce could have a meaningful impact to numbers in 2025.”

53. The following week, Morgan Stanley hosted Foroughi and Stumpf for a series of investor meetings. In its December 4, 2024 report, Morgan Stanley claimed “[t]he clearest single area of focus for investors remains **ecommerce** and the company expressed high confidence in the ecommerce ads pilot, which they characterized as effective and ‘**past the point of uncertainty**’ around its viability.”

54. On February 12, 2025, the Company hosted its 4Q24 earnings call for analysts and investors. During that call, Foroughi claimed, *inter alia*, that “Q4 was a major milestone, arguably our most foundational period since the AXON upgrade in 2023.” According to Foroughi, AppLovin “captured meaningful holiday shopping advertising dollars and witnessed the impact of an advertising category beyond solely gaming contributing to [the Company’s] growth.”

55. During that call, Foroughi touted the success of its e-commerce pilot:

Early pilots have shown positive outcomes for a range of advertisers, suggesting that any business in any vertical can harness the power of our platform. This opens up a massive opportunity as there are over 10 million businesses worldwide you advertise online that could eventually use our platform profitably.

By delivering incremental value, we position ourselves as an engine for growth. It’s a win-win for brands, consumers and shareholders. These early results solidify our vision of building one of the most influential marketing platforms in the world. Where we once focus on gaming, **we’re now positioning ourselves to serve the entire global advertising economy**. Importantly, the users engaging with our network aren’t just shifting existing purchases. They’re discovering new products while playing the games they love, generating truly incremental demand.

56. Foroughi also “highlight[ed] [the Company’s] favorite metric going forward, adjusted EBITDA per employee.”⁸ According to the CEO, “[i]n Q4, [the Company] had approximately \$3 million in run rate adjusted EBITDA per employee in our advertising business,” or double the EBITDA per employee from the prior quarter (\$1.5 million as of 3Q24), which signaled greater operational efficiency and higher productivity in e-commerce. Stumpf echoed Foroughi’s confidence in the e-commerce business, again claiming “the ability for us to contribute a material portion of revenue from the e-commerce opportunity in 2025.” See §VI.C., *infra*.

57. Still, despite purportedly beating expectations, AppLovin declined to break out revenue by vertical, leaving investors in the dark as to how much revenue e-commerce was actually generating for the Company. As J.P. Morgan noted, “while APP is not providing a break-out, management reiterated its expectation for e-commerce to be a material (10%+) contributor this year. Based on our estimates, this implies e-commerce revenue of at least \$450M in 2025.” UBS reported “4Q Advertising revenue of \$999M/73.4% YoY beat UBSe/St[reet estimate] \$894M 55% YoY by 26%, the largest beat vs St ests since the launch of Axon 2.0, primarily driven by healthy sequential gaming growth and early success in ecommerce from the integration of ‘hundreds’ of mid-sized DTC brands.”

58. AppLovin’s stock price continued its meteoric rise in response to Defendants’ February 12, 2025 statements, increasing \$91.35 per share the following trading day to close at \$471.67. By the close of market on February 14, 2025 it was trading at *more than \$510 per share*.⁹ Analysts also reacted favorably to the Company’s earnings announcement. According to a February 21, 2025 Benchmark Equity Research report, for example, the Company’s 4Q24 earnings signaled enduring growth in e-commerce:

APP is successfully monetizing its 1B+ daily active users, historically focused on mobile gaming ads, by tapping into e-commerce and direct-to-consumer brands.

⁸ EBITDA per employee is a financial metric calculated by dividing the Company’s EBITDA by the total number of employees. It provides a measure of workforce efficiency, and higher EBITDA per employee generally indicates greater operational efficiency and higher productivity. Assuming EBITDA is consistent, EBITDA by employee will increase when the denominator (number of employees) decreases.

⁹ Prior to September 2024, the price of AppLovin’s Class A common stock had never exceeded \$100 per share.

1 The company is positioning itself as a broad-based digital advertising leader, with
 2 strong early traction in new verticals beyond gaming. CEO Adam Foroughi
 3 emphasized that APP is not just shifting existing ad spend, but creating new demand,
 4 making its platform a growth engine for brands. Important, APP is achieving high
 5 operating leverage, with \$3M in adjusted EBITDA per employee, reinforcing its
 6 structural advantage.

7 **D. In February and March 2025, Reports Reveal the Truth About**
 8 **AppLovin’s Deceptive Ad Practices and E-Commerce Pivot**

9 59. Beginning in late February 2025, several market participants and short sellers issued
 10 investigative reports detailing the true facts behind AppLovin’s e-commerce capabilities, and
 11 uncovered numerous deceptive ad practices that had fueled its historic growth. These reports
 12 revealed Defendants’ practice of: (a) overstating the capabilities of the Company’s AI technology
 13 and its AXON 2.0 engine for ad targeting and as a driver of revenue growth; and (b) overplaying the
 14 results of the Company’s initial launch of its e-commerce business, while omitting its deceptive
 15 practices that helped fuel its historical growth in mobile gaming advertising and enabled it to claim
 16 attribution for e-commerce sales that were driven by Meta.

17 **1. February 20, 2025—Bear Cave Report**

18 60. The morning of February 20, 2025, Edwin Dorsey, the founder and author of The
 19 Bear Cave, published an investigative report titled “Problems at AppLovin (APP)” (the “Bear Cave
 20 Report”).¹⁰ The Bear Cave Report claimed that AppLovin’s rapid growth was “fueled by low-
 21 quality revenue growth from ads that are deceptive, predatory, and at times unreadable or
 22 unclickable.” The Bear Cave’s investigation of AppLovin’s practices included gathering the
 23 observations of three named industry experts, collecting anonymous reports of poor ad practices
 24 from former AppLovin customers, reviewing Company disclosures, and spending “dozens of hours
 25 playing mobile games in the AppLovin ecosystem.”

26 61. The Bear Cave Report asserted that “[a]d fraud allegations have multiplied in recent
 27 months, especially because AppLovin requires certain customers to also spend significantly on Meta
 28 ads,” and publicized several “critical issues” that warranted additional scrutiny, including

29 ¹⁰ The Bear Cave is not a short seller. Its founder and author, Edwin Dorsey, “does not take
 30 positions against companies profiled in The Bear Cave,” and instead provides analysis and
 31 commentary to the investing public.

1 accusations highlighting the Company’s “[d]ependency on Meta [s]pend,” the Company’s “[l]ack of
2 [t]ransparency,” and conflicts of interest stemming from AppLovin acting as the app mediation
3 partner for Meta, “while also requiring heavy Meta spend from advertisers on the demand side.”

4 62. The Bear Cave Report also highlighted increased skepticism with AppLovin’s
5 nascent e-commerce operations, reporting sentiment from an e-commerce marketer, whose company
6 “[w]as spending around \$25K/day” through AppLovin. According to that post referenced by the
7 Bear Cave, the marketer had “since grown suspicious [AppLovin] is too good to be true, and have
8 pulled down spend until I can measure instrumentality or at the very least have transparency into
9 how much budget is going toward retreating [*sic*].”

10 63. The Bear Cave Report also cited allegations published by The Captain’s Log, whose
11 author claimed that “AppLovin’s e-commerce growth story is not sustainable nor scaleable.”
12 According to The Captain’s Log, “[w]hile initial e-commerce results may appear clean or positive,
13 it’s not possible to scale this over the user base.” A later-published post on The Captain’s Log also
14 referenced by the February 20, 2025 Bear Cave Report claimed opaqueness in AppLovin’s e-
15 commerce business, alleging “[t]here are no details about e-commerce because AppLovin has very
16 few real e-commerce use cases.”

17 64. Also on February 20, 2025, *The Capitol Forum* reported on similar concerns in
18 AppLovin’s shift to e-commerce. In its February 20, 2025 article, *The Capitol Forum* revealed that
19 as the Company “pivots to advertising for e-commerce brands across mobile games, some marketing
20 experts question whether in-game advertisements can effectively boost sales in an ad space that has
21 traditionally focused on promoting other games and at times uses dark patterns to drive user clicks
22 and downloads.”¹¹

23 65. The February 20, 2025 revelations caused an immediate drop in AppLovin’s stock
24 price. *See* §VIII.A., *infra*. In the wake of the Bear Cave Report and *The Capitol Forum* article, and
25 in an effort to quell losses from the sudden decline in AppLovin stock, Foroughi immediately filed a
26

27 ¹¹ Ad tech experts recognize that mobile game users are unlikely to intentionally click an ad and go
28 to an e-commerce website to complete a purchase, because real human users consider the ads a
distraction while playing the game.

1 Notice of Proposed Sale of Securities with the SEC on February 21, 2025 and subsequently sold
2 90,000 shares representing over \$36 million in proceeds in just the two trading days following the
3 February 20, 2025 revelations.

4 **2. February 26, 2025—Culper and Fuzzy Panda Reports**

5 66. Over the following days and weeks, AppLovin’s e-commerce and App businesses
6 drew additional market scrutiny. On February 26, 2025, prior to markets opening, investment
7 research firm Culper Research issued a report titled, “AppLovin Corporation (NASDAQ: APP):
8 Force-Feeding Users with Silent Backdoor Installs and Copying Meta’s Homework. Straight to the
9 Principal’s Office, Please” (the “Culper Report”), expanding upon the Bear Cave Report’s e-
10 commerce claims and adding additional allegations concerning the Company’s operations.

11 67. According to Christian Lamarco, the founder of Culper Research, the Culper Report
12 was the culmination of several months of investigation and research, which included “a decompiling
13 and forensic review of AppLovin and partner app code, app download data, consultations with a
14 renowned ad fraud researcher, interviews with former employees, customers across both mobile
15 gaming and e-commerce, competitors, and industry experts, as well as extensive reviews of
16 AppLovin filings and disclosures, public announcements, social media comments, AppLovin
17 employee profiles, and more.”

18 68. The Culper Report alleged that, although the Company credited its mobile gaming
19 turnaround to AppLovin’s AXON 2.0 AI tool, AppLovin employed its “breakthrough ‘AI’
20 technology . . . AXON 2.0 largely as a promotional tool,” calling it “a smokescreen to hide the true
21 drivers of [the Company’s] mobile gaming and e-commerce initiatives, neither of which have much
22 to do with AI.”

23 69. The true drivers of the Company’s explosive success was not AXON 2.0, but instead,
24 according to the Culper Report, were: (a) an alleged “Backdoor Installation Scheme,” which
25 purportedly “enable[d] advertisements themselves to force-feed silent, backdoor app installations
26 directly onto users’ phones,” often inadvertently without the user’s knowledge, with “each illicit
27 install translat[ing] directly to profit”; and (b) the Company’s “nascent e-commerce initiative [that]

1 is a smoke and mirrors game that the Company has rigged in its favor” to “[s]teal [ad] [a]tribution”
 2 thanks to the Company’s “MAX mediation layer,” which allows it to “copy Meta’s homework.”

3 70. According to Culper Research, its investigation included reviewing and analyzing app
 4 source code to identify how apps “bind” to AppLovin’s AppHub to initiate installations. The Culper
 5 Report claimed that “[f]rom late 2022 through at least late 2024, AppLovin simultaneously
 6 smuggled a single permission into thousands of their own advertising customers [*sic*] apps via
 7 [AppLovin] MAX SDK updates.” This practice “allows the apps to ‘bind’ to AppHub, effectively
 8 borrowing or inheriting AppHub’s one-click direct install permissions as their own,” including “the
 9 permission to initiate direct downloads outside” of mobile app stores. AppLovin purportedly then
 10 “hijack[s] these permissions to force-feed direct installations to users,” which creates an illusion of
 11 advertising efficiency. “With more installations, it appears to game studios as if their advertising
 12 dollars are becoming more efficient.”

13 71. Culper Research referred to these “UX gimmicks” (user experience gimmicks) as
 14 “unquestionably malicious,” and claimed “the Company’s backdooring of direct installations into
 15 partners’ apps is tantamount to malware,” while employees referred to direct downloads as “the
 16 company’s top revenue driver.” The Culper Report revealed that “AppLovin’s current Senior
 17 Director of Strategic Partnerships . . . confirmed the ability to ‘install mobile applications directly
 18 without the need for an app store,’” and that AppLovin’s “technical lead for Array calls out ‘direct
 19 downloads for instant access to games from ads’ as a key functionality” for the Company.

20 72. Culper Research confirmed its source code findings with “renowned ad fraud
 21 researcher,” Dr. Ben Edelman, who confirmed Culper Research’s conclusion and noted, “[i]t is
 22 difficult to conceive of a proper purpose, within the expected/legitimate functioning of AppHub,
 23 why a game would need to bind to Apphub.”

24 73. The Culper Report also alleged that “AppLovin is entirely aware that its gaming
 25 promotion is unsustainable, and the Company has thus hung its hat on e-commerce.”¹²

26
 27
 28 ¹² AppLovin offloaded its app portfolio in June 2025.

1 74. According to the Culper Report:

2 AppLovin’s nascent e-commerce initiative is a smoke and mirrors game that
3 the Company has rigged in its favor from the start. AppLovin must maintain a tight
4 rein on advertisers it allows onto the platform, lest the narrative slip. To that end, the
5 Company requires advertisers first demonstrate proof of \$600,000 per month on
6 Meta, so that AppLovin – through its MAX mediation platform – can “see” ads
7 shown to Meta users in order to insert itself into the process and take credit for the
8 sale.¹³

9 75. Culper Research alleged that “[s]everal former AppLovin employees and competitors
10 suggested to [Culper Research] that the *true purpose* likely relates back to AppLovin’s ability to
11 ‘see’ Meta’s existing advertising, thanks to the Company’s ownership of the MAX mediation layer.”
12 Thanks to MAX, “AppLovin can quite literally copy Meta’s homework,” allowing the Company to
13 step in and claim attribution for sales that were actually driven by Meta.

14 76. The Culper Report also claimed that AppLovin “cajoles” its advertising clients into
15 “drumming up excitement” for the Company’s e-commerce product to create the appearance of
16 additional demand:

17 AppLovin then cajoles advertisers into spreading the news of their success,
18 drumming up excitement. The Company has parlayed this excitement into a waitlist,
19 where sources say the Company is now again stacking the deck with advertisers with
20 low SKU counts, those without robust data science teams (who can more easily call
21 bullshit), or those who are willing to use Adjust, AppLovin’s own attribution
22 platform that allows the Company to “grade their own homework.”

23 77. Culper Research also claimed that AppLovin’s e-commerce “outperformance [has]
24 resulted from the Company having effectively ‘rigged the game’ in [its] favor to wildly overstate
25 true results to advertisers.”

26 78. Also on February 26, 2025, investment research firm Fuzzy Panda Research (“Fuzzy
27 Panda”) issued its own investigative report titled, “AppLovin (APP) – Formers Allege Ad Fraud; Is
28 DTC Hype Actually ‘Stealing’ Meta’s Data; Illegal Tracking of Children & Serving Sex Ads to
29 Kids” (the “Fuzzy Panda Report”), which was based on, *inter alia*, interviews with “Ad Fraud

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Experts,” former AppLovin executives, former and current senior Meta employees, and “renowned ad fraud researcher Ben Edelman.” The Fuzzy Panda Report complemented and expanded upon the report released by Culper Research by: (a) accusing AppLovin of stealing Meta’s consumer data and then “us[ing] that info to enhance [its] own fingerprint of a user and then bid similar prices for users when targeting them with AppLovin served ads”; and (b) alleging that “AppLovin is deeply engaged in ‘Ad Fraud,’” and that the Company was “caught using fake clicks [and] other dirty tricks to ‘game’ installs.”

79. According to Fuzzy Panda, AppLovin’s “bull thesis focuses on expanding [the total addressable market] from mobile games into e-commerce,” but the Company’s “early e-commerce success came from ‘Copying Meta’s Homework’ by ‘reverse engineering’ Meta’s data.”

80. Fuzzy Panda scrutinized the Company’s purported e-commerce success, attributing early achievements to free advertising credits and “stealing” Meta’s data. As described in the Fuzzy Panda Report, AppLovin capitalized on Meta’s data to artificially enhance the appearance of e-commerce growth in the following ways:

- APP convinces e-commerce customers to use an AppLovin SDK for mediation.
- APP requires \$600k of monthly Ad spend to join the beta, which doesn’t make sense.
- This allows AppLovin to “peek” at a large enough sample of Meta’s successful ads via their mediation platform.

APP allegedly then knows which customers are most likely to convert.

- APP’s MAX ad auction bidding platform then gives them a real-time view into Meta’s \$ bids and values for each consumer.
- APP also requires e-commerce companies to use the exact same Meta ads enabling AppLovin to serve up the same winning ads that Meta would have.
- AppLovin allegedly combines all these data points with 3rd party data brokers and an AppLovin tracking IDs to reverse engineer Meta’s valuable data.
- This apparently allows AppLovin to know which consumers are the likeliest to convert and then front-run Meta.

1 81. Fuzzy Panda criticized the Company’s ability to target specific customers in the
 2 absence of Meta’s data. The Fuzzy Panda Report claimed that AppLovin creates a persistent
 3 identifier by harnessing personally identifiable information tracked by Meta. According to Fuzzy
 4 Panda:

5 AppLovin likely then combines the Meta bid information, the AppLovin device
 6 fingerprint, and data being bought from third party data brokers (that includes a vast
 7 amount of personal information) to essentially “steal” Meta’s data on consumers.
 AppLovin then can use that info to enhance their own fingerprint of a user and then
 bid similar prices for users when targeting them with AppLovin served ads.

8 82. The information disclosed in the Culper and Fuzzy Panda Reports caused significant
 9 declines in AppLovin’s stock price. *See* §VIII.B., *infra*. In an effort to reassure the market
 10 following the February 26, 2025 reports, that day AppLovin issued a public blog post titled “Note
 11 from our CEO.” In the post, CEO Foroughi denied the reports’ allegations as “false and misleading
 12 claims” made by “nefarious short-sellers.” Foroughi asserted that AppLovin’s success was driven
 13 by “sophisticated AI models,” and addressed specific topics including platform compliance,
 14 consumer experience, data practices, financial transparency, and the performance of its e-commerce
 15 pilot. *See* §VI.D., *infra*.

16 83. Within days, the Company also announced a plan to immediately repurchase the
 17 Company’s stock as Defendants continued their efforts to subsequently prop up the stock price amid
 18 the double-digit decline. *See* §VII.D., *infra*.

19 84. On February 28, 2025, Chen seized the opportunity to offload an additional \$65
 20 million in AppLovin stock, selling 200,000 shares of his personal stock.

21 **3. March 27, 2025—Muddy Waters Report**

22 85. On March 27, 2025, yet another investigative report brought to light additional
 23 information concerning the Company. That day, research firm Muddy Waters Research (“Muddy
 24 Waters”) issued a report titled, “Approving [*sic*]: Deep Data Analysis Shows APP is Just Another
 25 Scammy AdTech Company” (the “Muddy Waters Report”). Muddy Waters engaged in a thorough
 26 study that challenged AppLovin’s central growth narrative—*i.e.*, that the Company’s e-commerce
 27 product drives high-return, incremental advertising performance. The Muddy Waters Report
 28

1 revealed that a majority of AppLovin's e-commerce conversions are due to retargeting, not net new
2 customers.¹⁴

3 86. Based on its own "analysis of conversion log-level files provided by a leading
4 independent demand-side platform that covers over 37 million unique users from across five
5 different advertisers," Muddy Waters concluded that over 50% of AppLovin's e-commerce
6 conversions were a product of "retargeting," while only 25%-35% of the Company's e-commerce
7 conversions were incremental. The Muddy Waters Report likewise alleged that its "analysis of 776
8 advertisers active in early Q1 2025 indicates that the [advertiser] churn rate is ~23%," which
9 represents the percentage of original website no longer utilizing AppLovin's Pixel for e-commerce.¹⁵

10 87. The Muddy Waters Report echoed Fuzzy Panda, claiming AppLovin was
11 "impermissibly extracting proprietary IDs from Meta, Snap, Tiktok, Reddit, Google, and others,"
12 again raising concerns that "APP [is] at risk of being deplatformed."

13 88. Muddy Waters again called in to question the Company's e-commerce tactics:

14 To identify high value users, it appears that APP is impermissibly extracting
15 proprietary IDs from Meta, Snap, Tiktok, Reddit, Google, and others. APP then
16 combines that misappropriated data to create artificial and persistent user IDs (aka
17 user graphs). This is an iteration of old-school fingerprinting schemes to target ads
18 without user consent. The user graph is augmented by Shopify events (e.g. items
19 added to shoppers' carts, checkout initiation), which provides APP with a black edge
20 in the ad auctions. The last critical step in this scheme involves the aggressive use of
21 these Persistent Identity Graphs ("PIGs") to repeatedly target and retarget high value
22 users, serving them with ads won at these auctions. ***In this way, APP claims the
23 revenue from highly valuable last-click attributions.*** This subterfuge occurs outside
24 of the platforms' servers, making it difficult to detect.

25 (Footnote omitted.)

26 ¹⁴ Ad tech experts recognize that retargeting overstates the ROAS because those users already
27 know and have visited the advertiser's e-commerce site, so those predisposed users are already those
28 most likely to convert to a purchase. By showing ads to those users, AppLovin caused their devices
to be marked as exposed so they can claim credit for subsequent e-commerce purchases.

¹⁵ Muddy Waters' conclusion was a product of its analysis of e-commerce trial customers utilizing
AppLovin's AXON Pixel, which the Company describes as "a small snippet of JavaScript code that
allows [a customer] to track visitor activity on [its] site." According to the Company, "[d]ata
collected by means of this Pixel allows AppLovin to measure and to improve the success of [an] ad
campaign[]." According to the Muddy Waters Report, its "[a]nalysts utilized both automated
scanning technologies and manual checks to ascertain which websites retained the presence of the
Axon and/or APP-specific tracking pixels" in concluding the Company experienced a ~23% churn
rate.

89. Muddy Waters refers to the digital collection of personal identifying information as Persistent Identity Graphs (“PIGs”), which is a type of data “fingerprinting” or digital profiling “often considered controversial and invasive” because it is collected without the users’ knowledge or consent, which may potentially violate Apple’s and Google’s terms of service:

APPs Persistent Identity Graphs (PIGs) are digital collections of personal identifying information (PII). APP collects and stores this personal user data on its servers. APPs development and storage of PIG data are a type of “fingerprinting,” a form of digital profiling of individual users without their knowledge or consent to track them across the web.

Fingerprinting aggregates various device and browser signals to create a unique identifier for users without relying on cookies. In addition to the 3P platform IDs collected, other shared information will commonly include the ip address, operating system, browser version, time zone, browser identifier, or device information (screen size, fonts installed, language). Unlike cookies, which users can delete or block, fingerprinting operates server-side, making it a persistent tracking mechanism that raises major privacy concerns. Fingerprinting is often considered controversial and invasive because it does not require user consent. ***Regulatory bodies and major tech companies like Apple and Meta have taken measures to limit or regulate fingerprinting due to its potential ethical and legal implications.***

Fingerprinting without consent generally violates key privacy rules and TOS with its major platform partners. Fingerprinting without consent is explicitly prohibited by Apple on its iOS devices. As a Meta Audience Network Partner APP is subject to additional restrictions. Meta expressly prohibits the collecting or storage of any data obtained from any Ad or use of the Audience Network Service.

Code reveals APPs collection of Facebook, Google, Snap, Reddit, as well as other platforms IDs. These code IDs can be clearly traced to their platforms.

Proof of the collection of these data are clear and reproducible.

(Footnotes omitted.)

90. AppLovin shares plunged 20% following the Muddy Waters Report, representing the stock’s “steepest drop on record.” See §VIII.C., *infra*.

91. The slew of investigative reports prompted AppLovin to take further efforts to try to stop the bleed in the Company’s stock price. Just hours after the Muddy Waters Report, Foroughi issued another blog post titled “A Note from Our CEO: Discussing Web Advertising Opportunity and Unpacking Pixels” publicly denouncing the recent allegations, and relying on an AI-generated response from xAI’s Grok 3 chatbot prompted to “show that there’s nothing unique to the AppLovin

pixel implementation.”¹⁶ Several days later, on March 31, 2025, Shikin wrote a similar blog post defending the Company’s e-commerce data practices using the AI-generated assistance of Grok 3.

E. AppLovin’s Post-Class Period Disclosures Obfuscate Ongoing Stagnation in AppLovin’s E-Commerce Business

92. In the months following the end of the Class Period, additional evidence confirmed that AppLovin’s e-commerce platform was not as scalable as Defendants had led investors to believe. Likewise, it became clear that the Company’s early e-commerce revenue growth, which was achieved over a small sample size following a limited targeted launch, was neither sustainable nor representative of the eventual market share AppLovin would garner among the DTC advertising market.

93. For example, in June 2025, Needham analysts, after conducting their own market research, noted that “the total number of websites in our sample using Axon grew by +1.2% vs last month to 327 and with no additional big brand adds . . . *another sequential slowdown in growth.*” The analysts noted that the failure to attract additional “big brands” was important because “they have the greatest ability to scale advertising spend on the platform.”

94. Two months later, the same analysts, again citing their proprietary “Ecommerce Tracker,” noted a further slowdown in e-commerce growth: “Brands using the Axon Pixel increased +0.5% in the last month. Of the >2,200 websites we searched, we found a net gain of +2 websites” Likewise, in August 2025, J.P. Morgan analysts noted “limited onboarding of new e-commerce customers” which contributed to “less upside than prior” quarters. Later in August 2025, a Wells Fargo Securities report noted: “The # of new sites adding the Applovin pixel declined 30% in June - Aug vs Jan - May, *consistent w/market perception that web ads customer growth slowed.*”

¹⁶ Indeed, Foroughi concluded his responsive blog post with the following disclaimer: “This report includes content generated with the assistance of artificial intelligence (AI). While the information has been reviewed for accuracy, the AI-generated content may contain errors or omissions. Users are encouraged to exercise their own judgment and verify critical information independently.”

1 95. Defendants sought to mask the slowdown in new e-commerce customer additions by:
 2 (a) refusing to break-out its e-commerce financial results and customer metrics; and (b) blaming the
 3 lower-than expected e-commerce results on product delays.

4 96. After the release of the Company's second quarter 2025 earnings results in August
 5 2025, industry observers noted that Defendants "*didn't provide any new numbers around the e-*
 6 *commerce push*, which likely disappointed investors."¹⁷ UBS analysts commented on the "*[l]ack of*
 7 *visibility* into web-based ads contribution." Meanwhile, Defendants attempted to buy time by
 8 shifting the narrative, emphasizing that a delay in new product rollouts were to blame for the slower-
 9 than-expected ramp in e-commerce customers and revenue. Indeed, during the Company's earnings
 10 call on August 6, 2025, Defendants admitted they had intentionally constrained the e-commerce
 11 advertiser onboarding process "for a couple of quarters." At that point, the Company's e-commerce
 12 pilot had been deployed for just four quarters. In other words, the Company was deliberately
 13 constraining the product during the Class Period, despite repeatedly touting its success during the
 14 same period.

15 97. Further evidencing the e-commerce slowdown, Defendants also surprised the market
 16 in August 2025 by announcing a significant paid marketing plan to attract new e-commerce
 17 customers. Analysts and investors had previously been led to believe there was a long waiting list
 18 (*i.e.*, "a line out the door") of potential new e-commerce customers waiting to sign up for advertising
 19 contracts. As J.P. Morgan analysts noted: "APP plans to leverage paid marketing to recruit new
 20 advertisers after the global launch. *The paid marketing strategy comes as a surprise* to us given
 21 APP's historic organic/word of mouth approach"

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 27 ¹⁷ Leo Miller, *AppLovin's Q2 Miss Spooks Market, But Wall Street Doubles Down*, MarketBeat
 28 (Aug. 7, 2025), <https://www.nasdaq.com/articles/applovins-q2-miss-spooks-market-wall-street-doubles-down>.

V. DEFENDANTS' SCHEME AND WRONGFUL COURSE OF BUSINESS¹⁸

98. AppLovin presents itself as a leading ad tech company, claiming that its proprietary AI platform (AXON) drives superior user acquisition and advertising performance. Throughout the Class Period, Defendants repeatedly assured investors that AXON 2.0 was responsible for the Company's growth in revenue and profitability, and that its emergent e-commerce business was scalable and poised to drive massive sustainable growth. Unknown to investors, however, AppLovin's growth was driven by a number of manipulative and undisclosed business practices. Specifically, Defendants implemented a fraudulent scheme and course of conduct that relied upon a series of improper and deceptive practices that artificially inflated the Company's reported performance metrics, including: (a) installing applications onto users' devices without their knowledge; (b) flooding users with manipulative advertisements designed to maximize clicks and inflate engagement; (c) running advertisements in the background without users ever seeing them; and (d) retargeting and remarketing e-commerce consumers by engaging in artificial ad exposure to manipulate attribution and claim credit for sales actually driven by Meta.

A. Defendants Boosted Mobile Ad-Gaming Installations and Ad Impressions Through Undisclosed, Deceptive Practices

99. In 2022, AppLovin launched Array, which partnered with original equipment manufacturers and carriers to preload AppHub onto newly sold devices. AppHub was granted system-level permissions that allowed it to initiate direct installations of third-party applications from outside of the Google Play Store. Although these permissions were legitimately granted to AppHub, Google classifies them as "high risk" and "sensitive" and prohibits their use in standardized applications:

Google Play restricts the use of high risk or sensitive permissions, including the REQUEST_INSTALL_PACKAGES permission, which allows an application to request installing packages. . . . To use this permission, your app's core functionality must include:

¹⁸ Lead Plaintiffs allege both "scheme liability" under Rule 10b-5(a) and (c) and "misstatement liability" under Rule 10b-5(b). The statements referenced below in §VI, are alleged to be materially false and misleading as bases for the Rule 10b-5(b) misstatement claim. The scheme allegations under Rule 10b-5(a) and (c) are based both on those statements and the additional deceptive acts alleged herein.

1. Sending or receiving app packages, AND
2. Enabling user-initiated installation of app packages.

* * *

To use this permission, your app must fall within permitted uses below, and have a core purpose to enable installation of packages. Core functionality is defined as the main purpose of the app. Without this core ability to install additional applications on the device, the app is “broken” or becomes unusable. The core functionality, and any core features that comprise this core functionality, must all be prominently documented and promoted in the app’s description.

* * *

Permitted uses include:

- Web browsing or search; OR
- Communication services that support attachments; OR
- File sharing, transfer or management; OR
- Enterprise device management;
- Backup & restore;
- Device Migration/Phone Transfer.¹⁹

100. To exploit AppHub’s system-level permissions and circumvent the Google Play Store restrictions, AppLovin inserted permissions into its MAX mediation SDK—a software plug-in that developers insert into their apps so companies like AppLovin can run ads or other features—which is embedded in many of the most popular free-to-play mobile games such as Subway Surfers, 8 Ball Pool, Wordscapes, and Angry Birds 2. Through these added permissions, games could “bind” to AppHub, inherit its direct installation powers, and bypass the Google Play Store restrictions. As a result, AppLovin’s SDK served ads, including background ads when users were not actively engaged with the app, that were capable of triggering automatic installations without user knowledge. Further, AppLovin buried in certain pop-up download terms a provision that purported to authorize it to install future apps on users’ devices and, relying on that hidden term, installed additional apps

¹⁹ Google Play Console Help, *Use of the REQUEST_INSTALL_PACKAGES permission*, <https://support.google.com/googleplay/android-developer/answer/12085295> (last accessed Sep. 12, 2025).

1 without user knowledge. This scheme inflated AppLovin's advertising revenue, which is generated
2 "typically on a performance based, cost-per-install basis."

3 101. Binding to AppHub appeared to serve no meaningful purpose for AppLovin-affiliated
4 applications other than to drive unwanted installations and inflate revenue. As industry expert Dr.
5 Edelman concluded:

6 "It is difficult to conceive of a proper purpose, within the expected/legitimate
7 functioning of AppHub, why a game would need to bind to Apphub.

8 The source code contains repeated reference to direct download. The context
9 and architecture of this code indicate that it performs the type of download described
10 above."

11 102. Dr. Edelman also noted that, based on his review of AppLovin's code, the Company
12 has the ability to "end all direct downloads on a moment's notice—as it is likely to do if it faces
13 public criticism of this practice." Further, the code "certainly allows AppLovin to target direct
14 downloads by IP address, such as never performing direct downloads to countries or regions deemed
15 high-risk" and "is fairly read as indicating knowledge that direct download is a sensitive function
16 and might need to be scaled back or limited in some important way, including on short notice."

17 103. AppLovin also deployed manipulative and deceptive advertisements designed to trick
18 users, generate more clicks, and drive additional unwanted installations. Consumers reported that
19 AppLovin's ads often lacked a visible "X" to close, automatically redirected them to the Google
20 Play Store, or initiated installations without any legitimate action by the user. One user explained
21 that "[e]very second ad you close automatically opens the Play Store," while another reported that
22 "there are ads that have no x to close them or they even automatically take you to the play store."
23 Others described even more aggressive tactics, such as "[i]f you accidentally touch an ad, it
24 automatically installs an app on your phone," and "[s]ome ads automatically download software
25 without the user taking action or granting additional permissions. This is MALWARE."

26 104. As one AdTech industry executive who reviewed AppLovin's mobile ad-gaming
27 program bluntly stated:

28 "I'm almost certain that what they're doing is a Ponzi scheme... It's junk
inventory, junk apps... They've changed recently... It's kicked you out of the app
and forced you to download the other app via the ad. Then when you log back in, it

1 counts you again, so it shows you as a repeating user, but in reality it's a really poor
2 experience. It's dirty metrics."

3 105. By exploiting AppHub's system-level installation powers in tandem with deceptive
4 advertisements, AppLovin generated false clicks and involuntary application installs. These
5 practices served no legitimate purpose other than to drive unwanted app installations and inflate
6 advertising impressions. Defendants' scheme was designed to create the illusion of heightened
7 engagement and performance and boost the Company's revenue.

8 **B. Defendants' E-Commerce Advertising Business Was Built on
9 Claiming Attribution for Sales that Were Driven by Meta**

10 106. Building on what Defendants touted as breakthrough success in mobile ad-gaming
11 and AI-driven advertising, AppLovin expanded into e-commerce, claiming its e-commerce pilot
12 program "has exceeded our expectations, with the advertisers in the pilot seeing substantial
13 returns . . . and, in many cases, experiencing nearly 100% incrementality from our traffic." In
14 reality, AppLovin's e-commerce advertising program was grounded in a continuation of its
15 deceptive practices, systematically targeting its daily active users to capture credit for transactions
16 attributable to Meta.

17 107. Critically, to participate in AppLovin's e-commerce pilot, advertisers were required
18 to prove they were already spending at least \$600,000 per month on Meta's advertising platform.
19 This ensured AppLovin only accepted advertisers with large, active Meta campaigns already
20 generating significant transaction volume. By retargeting and remarketing²⁰ users already reached
21 by Meta, AppLovin guaranteed there would be heavy overlap between devices "exposed" to an ad
22 by Meta and those "exposed" by AppLovin. Whenever an "exposed" device later converted on a
23 purchase, AppLovin could claim credit for the sale generated by Meta.

24 108. AppLovin's so-called innovation was simply to blast ads—or generate artificial ad
25 exposure—to its purportedly massive base of "daily active users," often running those ads in the
26 background with little or no user engagement or visual acknowledgment. The purpose was not to

27 ²⁰ Retargeting means serving an advertisement to a user that has visited the advertiser's website,
28 app, or product page but has not yet purchased anything. Remarketing means serving an
advertisement to a user who has already purchased something from the advertiser.

1 persuade e-commerce consumers or drive incremental sales, but to “tag” as many devices as possible
2 as having been “exposed” to an AppLovin ad so that AppLovin could claim credit for the e-
3 commerce conversion ultimately driven by Meta.

4 109. Further, because AppLovin facilitates access to Meta’s advertising demand via MAX,
5 AppLovin had access to Meta’s advertising inventory. By leveraging this access, AppLovin
6 exploited its SDK to open, in a hidden web browser, the e-commerce landing page of an advertiser
7 running campaigns on both Meta and AppLovin, thereby enabling AppLovin to simulate a “click
8 through,” *i.e.*, the loading of a landing page that ordinarily occurs only when a user intentionally
9 clicks an ad to make a purchase. This covert loading of an advertiser’s landing page activates
10 tracking “pixels” (*e.g.*, the AXON Pixel) that signal to the system that a user has seen, or been
11 “exposed” to, an AppLovin ad. As a result, any subsequent purchase by that user is attributed to
12 AppLovin’s purported ad exposure, even though the user never engaged with AppLovin’s ad.

13 110. In practice, this meant that both Meta and AppLovin often claimed the same e-
14 commerce conversion or attribution credit. AppLovin’s systems automatically logged and took
15 credit for the purchase on the basis that the device had been exposed to an AppLovin ad at some
16 point (*e.g.*, within a 30, 60, or 90-day window), even if the consumer never interacted with—or even
17 laid eyes on—the advertisement purportedly “displayed” by AppLovin. This double counting
18 allowed AppLovin to inflate its e-commerce performance results without creating any genuine
19 incremental value. In fact, AppLovin’s scheme can be implemented even with a 24-hour attribution
20 window by exposing users to AppLovin ads once every 24 hours, thereby ensuring their devices are
21 always marked “exposed” and claiming credit for any subsequent purchases.

22 111. Industry insiders noticed suspicious patterns that corroborate the existence of
23 Defendants’ scheme to claim credit for conversions attributable to Meta. As *Business Insider*’s Lara
24 O’Reilly reported, there was ““an “extremely high correlation” between when AppLovin sees a spike
25 in conversions and when Meta sees an increase in ad spend,”” raising the question of whether
26 ““AppLovin was driving real incremental value or whether its campaigns were just reaching the
27 exact same audience as Meta in some way.””

112. And independent analyses confirmed this suspicion. Advertiser conversion logs demonstrated that a majority of e-commerce conversions attributed to AppLovin were in fact purchases already driven by Meta. By spamming its user base and “exposing” as many devices as possible, AppLovin manufactured the appearance of nearly 100% incrementality, when in truth its contribution was only a fraction of that amount. In fact, after accounting for repeat customers, independent investigators found that the true incrementality of AppLovin’s e-commerce results was only 25%-35%, a fraction of Defendants’ public claims of “nearly 100% incrementality.” *See* ¶86.

113. Further, technical analysis revealed that AppLovin also engaged in undisclosed fingerprinting, secretly collecting user identifiers from platforms including Meta, Google, TikTok, and Snap (in violation of the platforms’ terms of service), and combining them with behavioral signals from Shopify stores such as items added to cart or checkout attempts. By stitching this data into PIGs, AppLovin could track users across devices and platforms, recognize when a Meta-targeted consumer was on the verge of purchase, and then serve a last-second advertisement to hijack credit for the transaction. This enabled AppLovin to identify and target “high-value” consumers in the final stages of the purchasing process.

114. AppLovin’s e-commerce platform was neither innovative nor uniquely effective, falling far short of Defendants’ representations. It simply inundated users’ devices with artificial ad exposure and exploited undisclosed conditions to ensure overlap with Meta’s advertising base. By claiming credit for conversions that Meta had actually driven, AppLovin falsely portrayed itself as a significant driver of e-commerce growth, thereby misleading investors and inflating its stock price.

VI. DEFENDANTS’ FALSE AND MISLEADING STATEMENTS AND OMISSIONS²¹

115. Throughout the Class Period, Defendants made a series of materially false and misleading statements and omissions regarding AppLovin’s e-commerce business by: (a) overstating the capabilities of the Company’s AI technology and its AXON 2.0 engine for ad targeting and as a driver of revenue growth; and (b) overplaying the results of the Company’s initial launch of its e-

²¹ For ease of reference, the portion of Defendants’ statements that Lead Plaintiffs allege are false and misleading are set forth in bold italics throughout §VI.

commerce business, while omitting its deceptive practices that helped fuel its historical growth in mobile gaming advertising and enabled it to claim attribution for e-commerce sales that were driven by Meta. Defendants also maintained the same assurances and hypothetical risk warnings regarding terms of service and privacy violations both prior to and during the Class Period, while concealing that the Company’s deceptive and risky business practices were actively subjecting AppLovin to reputational harm.

A. November 6, 2024—3Q24 Earnings Report and Form 10-Q

116. On November 6, 2024, AppLovin announced its financial results for the third quarter ended September 30, 2024 in a press release and Form 8-K filed with the SEC, which included a shareholder letter signed by Foroughi and Stumpf (the “3Q24 Shareholder Letter”). In the 3Q24 Shareholder Letter, Defendants stated the following:

Our Software Platform segment continued to grow in the third quarter, with Software Platform revenue of \$835 million, up 66% year-over-year, *driven by continued development of our AXON engine through ongoing self-learning and directed model enhancements*. These technology enhancements allowed our advertising partners to further increase the scale of their spend on our platform while consistently achieving their return on ad spend (“ROAS”) goals.

117. It was misleading for Foroughi and Stumpf to state that Software Platform growth was driven by AXON’s “ongoing self-learning and directed model enhancements” when, in reality, AppLovin’s growth was fueled by improper practices designed to artificially inflate the Company’s performance metrics. Specifically, AppLovin’s growth was inflated through, among other things: (a) serving ads in the background without any user engagement; (b) forcing installations of affiliated applications onto users’ devices without their knowledge; and (c) flooding users with low-quality “junk ads” designed to manufacture clicks and engagement rather than deliver genuine advertiser value. *See ¶¶99-105, supra.*

118. On the earnings call held that same day, Foroughi’s prepared remarks attributed AppLovin’s positive growth to enhancements in its AXON algorithm and AI software development, and touted the future impact of the Company’s nascent e-commerce business:

We continue to execute well, expanding our core business and laying the groundwork for its sustained growth. Last quarter, I shared our confidence in achieving 20% to 30% year-over-year growth for the foreseeable future. We continue to expect 4% to 5% quarterly growth through self-learning and market

1 growth, *with occasional step changes resulting from enhancements to our AXON*
2 *algorithm.*

3 *This quarter, we saw one of those step changes, with meaningful growth*
4 *driven by advancements to AXON.* While we can't predict the timing of these
5 breakthroughs, we are in the early stages of AI software development, both within
6 our company and in the broader industry. We expect ongoing research
7 advancements to continue driving our technology forward.

8 While we remain confident in 20% to 30% growth for mobile gaming
9 advertisers alone, we're also exploring new areas, as shown by our recent e-
10 commerce pilot. *Early data has exceeded our expectations, with the advertisers in*
11 *the pilot seeing substantial returns, often surpassing those from other media*
12 *channels and, in many cases, experiencing nearly 100% incrementality from our*
13 *traffic.*

14 *We're increasingly confident this vertical will scale significantly in 2025*
15 *and become a strong contributor for us over the next year and beyond.* To support
16 this, we've streamlined resources and are reallocating talent from other initiatives to
17 our e-commerce go-to-market team. In the next few quarters, we'll launch a self-
18 service platform, opening global opportunities for advertisers of all sizes.

19 119. On the same November 6, 2024 earnings call, Stumpf similarly attributed the
20 Company's positive third-quarter revenue growth to improvements in the AXON technology:

21 During the quarter, *improvements in our AXON technology, driven by*
22 *ongoing self-learning, and enhancements by our engineering team contributed to*
23 *further growth of our software platform.* This segment generated \$835 million in
24 revenue and \$653 million in adjusted EBITDA, achieving a 78% margin and
25 growing 66% in revenue and 79% in adjusted EBITDA from the same period last
26 year. Quarter-over-quarter flow-through from revenue to adjusted EBITDA was
27 107%.

28 120. During the question-and-answer portion of the same earnings call, Foroughi
repeatedly assured market analysts about the tremendous potential for AppLovin to expand beyond
gaming into e-commerce using AXON 2.0. For instance, in response to the very first question on the
call, Foroughi described the Company's e-commerce pilot as the best product AppLovin had ever
released, and that it would meaningfully impact the business in 2025 and beyond:

[BTIG Analyst:] I would assume that while e-commerce is in pilot phase, there's
really very little revenue contribution. Is that right? And then, if so, for the existing
gaming and nongaming businesses, was one a bigger contributor this quarter?
Meaning, was one more responsive, I guess, to the performance improvements that
you delivered?

* * *

[Foroughi:] Yes. So e-commerce is still in pilot, as we touched on last
quarter. I'll say, before jumping into impact this quarter, it's the – *it's a super*
compelling product. Our team has done an amazing job building it. *In all my years,*

1 *it's the best product I've ever seen released by us, fastest growing*, but it's still in
 2 pilot. So compared to the scale of our business inside gaming, it's too early for e-
 3 commerce to make a financial impact that's material.

3 * * *

4 Now our technology continues to improve. We've got a long road map of
 5 enhancements that we can deliver to this platform because, like I said in the talk
 6 script, these AI technologies are just really, really early in existence, both internally
 7 and externally. And all research advancements are going to let us really expand the
 8 business inside the gaming category. *E-commerce, on the other hand, is looking so
 9 strong that it's something that we think will be impactful to the business
 10 financially '25 and then for the long term.*

11 121. The statements in ¶¶118-120 were false and misleading when made. Defendants
 12 Foroughi and Stumpf repeatedly attributed AppLovin's growth to purported "enhancements" and
 13 "advancements to AXON," while falsely positioning the e-commerce pilot as a transformative new
 14 vertical delivering "substantial returns," "looking so strong," and certain to be impactful to the
 15 business financially. In reality, AppLovin's growth was not driven solely by technological
 16 breakthroughs or genuine performance, but also by deceptive and undisclosed practices that
 17 artificially inflated its reported results. See ¶¶98-114, *supra*. Rather than producing "step changes"
 18 through AXON "enhancements," AppLovin manufactured growth by forcing unwanted app
 19 installations and spamming devices with ads, including background ads that users never saw,
 20 designed to maximize clicks and impressions at the expense of true user engagement. See ¶¶99-105,
 21 *supra*. Defendants' assurances that advertisers were achieving "substantial returns" from the e-
 22 commerce pilot was likewise misleading. See ¶¶106-114, *supra*. In truth, AppLovin's reported e-
 23 commerce results were favorably distorted by: (a) offering generous incentives to a limited group of
 24 cherry-picked advertisers who were already spending substantial advertising dollars on Meta;
 25 (b) artificially exposing devices to AppLovin ads, thereby enabling AppLovin to claim attribution
 26 credit for purchases actually driven by Meta; and (c) timing the rollout of its e-commerce pilot to
 27 take advantage of seasonal holiday shopping to create the illusion of explosive growth. See ¶¶47,
 28 106-114, *supra*. This made it appear that advertisers were achieving strong ROAS, when in fact the
 performance was overstated and unsustainable. See ¶¶85, 98-114, *supra*.

122. In response to the next analyst question that inquired of potential headwinds in the e-commerce area given the lack of brand awareness in that space, Foroughi insisted that AppLovin could organically grow in e-commerce without investing in sales and marketing:

[Citigroup Analyst:] It's exciting to hear that you're excited about your e-commerce pilot. I just had one question. As investors sort of think about the ramp of that business, is there anything about it that could ramp more slowly even if you're more excited about the efficacy of the product? And I'm thinking specifically about your brand just not being known in e-commerce circles and maybe you have to spend marketing dollars or hire a sales team or something that's just different than the brand name you have within the gaming ecosystem that could make it ramp more slowly, even though it might be a better product or as good of a product. Thanks.

... **[Foroughi:]** So look, e-commerce is a new category for us. So we do need brand awareness. That's a given. But our products are really good. And the key to when we started the business and doing so well in gaming is we took a really long-term approach. *We said we're going to build a product that's so good that advertisers have to have it. We're not going to invest heavily in sales, and we're going to organically grow over the years.* And we've done that.

And you can look at the trajectory of the company since we've been public, but even if you backdate it to when we started, every year, *we've gotten bigger and gotten more penetration into the gaming category and done it organically.* So when we look at e-commerce, we're not in any sort of rush. *Now that said, if you check even Twitter today, there's tons of noise from e-commerce brands saying, in our pilot, they're seeing as much scale and a strong ROAS as they're seeing anywhere in the world today on their user acquisition buys.*

So when you have that kind of performance, you're delivering an automated return on ad spend model approach to a very large, fragmented category, like e-commerce, that desperately needs another marketing channel after having so many promises in the past that haven't panned out. It's something that's probably going to get a lot of noise and be very attractive to the other side very quickly.

123. In response to the next question regarding how AXON could be used to expand into other verticals, Foroughi stated AppLovin's approach was to "go to the entirety of e-commerce":

[Morgan Stanley Analyst:] So the question is just on that e-commerce pilot. I guess, given that you're, based on the results of the pilot, successfully expanding into other verticals and using AXON and the data available to you to target other types of advertising outside of gaming, do you have any reason to believe or any doubt about the ability to expand the model to cover other verticals other than just e-commerce? Because it seems like, given the size of the audience and just the amount of data that you have to observe, it shouldn't necessarily just be limited to e-commerce. If you can move beyond gaming, do you believe you can move to other verticals?

... **[Foroughi:]** 10 years from now, we think every advertiser that has a transactional model, whether it's collecting an e-mail address for a newsletter or a local pizza shop or an e-commerce brand or a gambling brand or a gaming brand or anything across any category, can buy on our platform and do it at scale. So there's no limitation to the power of the math and the technology that we've written.

1 ***But the only limitation, the only reason why we referenced it as e-commerce***
 2 ***today is the go-to-market.*** We do want to be thoughtful about how we penetrate new
 3 categories. But even inside e-commerce, we're not approaching it as we're only
 4 going to go to fashion and then we're going to go to beauty. We're approaching it as
 5 ***we're going to go to the entirety of e-commerce, and then we're going to go to the***
 6 ***entirety of the rest of the categories of advertising that matter.*** And then hopefully,
 7 we're going to go to the whole world of transactional businesses over time.

8 124. In response to further questioning on the expected contribution from the e-commerce
 9 business, Foroughi denied that there were any seasonality effects from the Company's "fastest-
 10 growing product":

11 [UBS Analyst:] Great. Thanks for taking the question. Maybe another one
 12 here on e-commerce. Adam, I think you had said on 2025, we should be starting to
 13 see a material contribution. We've been getting a lot of questions from investors.
 14 Just kind of how to be thinking about material and just any tighter of a time frame
 15 you could maybe help us understand? I know 1Q is seasonally weak for e-
 16 commerce, but could it be as soon as 1Q that we start to see a contribution from that
 17 business?

18 [Foroughi:] Like we've said, we're confident in the 20% to 30% in gaming
 19 alone. This is sort of additive. ***I also just said it's the fastest-growing product I've***
 20 ***ever seen. So it looks really good. Now if we were scaled in e-commerce, we'd***
 21 ***have seasonality in the business. We don't today really have seasonality in the***
 22 ***business.*** When you're in pilot, you're talking about tens to hundreds total shops.
 23 And so we're really just early stages here, but the performance is really strong.

24 So it's hard for us to predict how quickly it can ramp. And I do like to
 25 remind people that when you have a scaled business, I think, run rate-wise, now \$3.3
 26 billion or so on this advertising business, that's really a lot of net revenue that we're
 27 reporting, gross it up to total ad dollars on the platform.

28 And for e-commerce to really drive material impact, and let's define that by
 29 10% plus, is going to take some time to ramp up to. ***But we've never seen anything***
 30 ***that looks like this in terms of strength in market. And so if it does scale the way***
 31 ***we think it will, it's going to make an impact in '25.***

32 125. The statements in ¶¶122-124 were false and misleading when made. Foroughi
 33 assured investors that AppLovin's e-commerce pilot could "organically" scale without sales or
 34 marketing investment, that the Company could rapidly expand "to the entirety of e-commerce" and
 35 other verticals, and that the pilot—described as the "fastest-growing product" with "really strong"
 36 performance—was already producing "strong ROAS." In reality, Defendants were deliberately
 37 constraining the growth of AppLovin's e-commerce program, and its limited and purported "really
 38 strong" performance was favorably distorted by: (a) offering generous incentives to a limited group
 39 of cherry-picked advertisers who were already spending substantial advertising dollars on Meta;

(b) artificially exposing devices to AppLovin ads, thereby enabling AppLovin to claim attribution credit for purchases actually driven by Meta; and (c) timing the rollout of its e-commerce pilot to take advantage of seasonal holiday shopping to create the illusion of explosive growth. *See* ¶¶47, 106-114, *supra*. This made it appear that advertisers were achieving strong ROAS, when in fact the performance was overstated and unsustainable. *See* ¶¶85, 98-114, *supra*. Likewise, Foroughi's claim that the Company had scaled its gaming business "organically" was also false, as that growth was driven by deceptive practices, including forced app installations, junk ads designed to manufacture clicks and engagement, and background ads that users never even saw, all designed to inflate impressions and performance metrics. *See* ¶¶99-105, *supra*.

126. In response to yet further questions about AppLovin's e-commerce opportunity, Foroughi again reiterated tremendous potential for AppLovin to expand beyond gaming ads, but refused to discuss the technological details of how AXON 2.0 would apply to these new customers:

[Cannonball Research Analyst:] So can you help us understand this e-commerce opportunity?

Is it just taking AXON 2.0 as it is and just making minor tweaks so that it just selects for targeted potential e-commerce customers? Or is it a big overhaul? And then how much of an advantage will you be able to take from the gaming and take it to e-commerce? And who – if you can, whom will you be competing against? Who is currently taking up those budgets?

. . . **[Foroughi:]** So starting with like competition. I don't think, to date, anyone has delivered a solution inside mobile games for categories outside of gaming. And so we're going into greenfield. And what's exciting about these shops, and I said this on my talk track, when they're marketing on our platform today, this is a new audience.

They're not otherwise able to reach this audience in that moment in time. So when we're able to show an ad for them and do it precisely and measure it all, there's an immense amount of incremental value for them from that advertisement. So it's a really strong solution for them.

So it will continue to make our platform able to monetize that audience better, which is going to be a huge boom for our business and very healthy for the publisher as well, who will generate more dollars from their users but also get more diversity of content to their users. *And in this case, if you're a game publisher, an e-commerce ad is not for someone who is building another game, it's for something that is completely different than your product. So it's a great win-win for all parties involved.*

On the technology side, I never like to talk about complexities of technology. I certainly wouldn't say anything we do is simple. I don't think a lot of people in the world, I mean, maybe hundreds, max, engineers understand how to build these types

1 of platforms. We've seen very few, only a handful of software implementations that
 2 are compelling at scale inside what we're calling these AI technologies, and we're
 one of those.

3 ***And our engineers are building really complicated technologies that can do***
 4 ***a lot more than just the first implementation did, which was drive performance***
 5 ***marketing to gaming.*** So we think there's going to be a lot of expansion opportunity
 over time. The technology platform is really powerful, and math is not limited to
 categories. So there's going to be, I think, years of growth ahead of us.

6 127. And when asked if the Company expected any "bottlenecks" in trying to expand the
 7 e-commerce business, Foroughi referred to the e-commerce pilot "as being the most compelling
 8 [product] we've seen yet" with a "line out the door of companies that want to jump on to this
 9 platform":

10 **[Oppenheimer & Co. Analyst:]** [O]n e-commerce, where are you spending or
 11 investing in commerce? And is there any bottlenecks you're trying to break through
 as you ramp up e-commerce and then get it to commercial stage?

12 **[Foroughi:] No. Like I said, it's the most exciting product that we've ever**
 13 ***launched. We've never seen this kind of data on a new product.*** And if you recall,
 14 I mean, I don't voice optimism much since we've gone public on new products.
 15 We've talked about a lot of products. We are a very entrepreneurial company. We
 will try a lot of things. But the last time I talked about a really good product was
 when we launched AXON 2.0. That turned out pretty good for us, our company, our
 partners and our investors.

16 ***So if we're talking about this product as being the most compelling one***
 17 ***we've seen yet, that you can assume we're not running into bottlenecks, other than***
 18 ***like we just don't have the capacity yet in terms of human capital and every***
 19 ***solution component automated to scale it out as quickly as the market demands.***
So we've got to line out the door of companies that want to jump on to this
platform.

20 128. According to Foroughi, AppLovin "built maybe the most innovative advertising
 21 technology that the world has yet seen," which would enable the Company "***to service tens of***
 22 ***thousands to hundreds of thousands to millions of advertisers on [its] platform.***"

23 129. The statements in ¶¶126-128 were false or misleading when made. Foroughi touted
 24 the e-commerce pilot as "the most exciting product [the Company] ever launched" that would
 25 "generate more dollars" for publishers, and further claimed it was driven by advanced AI technology
 26 with a "line out the door" of advertisers waiting to join and that the Company was "not running into
 27 bottlenecks" in the ramp up of its e-commerce product. In truth, Defendants were deliberately
 28 constraining the growth of AppLovin's e-commerce program, and its limited and purported "really

strong” performance was favorably distorted by: (a) offering generous incentives to a limited group of cherry-picked advertisers who were already spending substantial advertising dollars on Meta; (b) artificially exposing devices to AppLovin ads, thereby enabling AppLovin to claim attribution credit for purchases actually driven by Meta; and (c) timing the rollout of its e-commerce pilot to take advantage of seasonal holiday shopping to create the illusion of explosive growth. *See* ¶¶47, 106-114, *supra*. That is, the pilot was a small-scale test inflated by riding the coattails of Meta’s technology to claim attribution that was not driven by AppLovin. AppLovin’s e-commerce program did not “generate more dollars” for publishers but instead imposed additional costs by duplicating attribution already credited to Meta. *See* ¶¶106-114. Likewise, the purported “really complicated technologies” that supposedly “dr[o]ve performance marketing to gaming” were in fact the product of practices, including forced app installs and deceptive ads designed to manufacture clicks, engagement, and impressions. *See* ¶¶99-105. These practices provided no credible basis for Foroughi’s claims of sustainability or long-term growth concerning its e-commerce platform.

130. Also on November 6, 2024, AppLovin filed its quarterly report on Form 10-Q with the SEC for 3Q24, signed and certified pursuant to the Sarbanes-Oxley Act of 2002 (“SOX”) by Foroughi and Stumpf. The “Risk Factors” section of the 3Q24 Form 10-Q stated that the Company faced risks of adverse effects from any actual or perceived privacy violations under a risk factor titled “Risks Related to Legal and Regulatory Matters”:

We are subject to laws and regulations concerning privacy, information security, data protection, consumer protection, advertising, tracking, targeting, and protection of minors, and these laws and regulations are continually evolving. ***Our actual or perceived failure to comply*** with these laws and regulations ***could*** adversely affect our business, financial condition, and results of operations.

131. These warnings were written as hypothetical risks *i.e.*, that with regard to “privacy policies and terms of service located ***in application store fronts***, within our mobile games, and on our respective websites,” privacy violations ***could*** cause users to lose trust in the Company which ***could*** adversely affect its business and operations:

Any failure or perceived failure by us to comply with our terms of service or privacy policy, or with applicable laws, regulations, or legal, contractual, or other actual or asserted obligations to users or third parties, concerning privacy, information security, data protection, consumer protection, or protection of minors; or our privacy-related legal obligations, or any compromise of security that results in

1 the unauthorized release or transfer of personal information or other user data, may
 2 result in governmental enforcement actions or other proceedings, claims, demands,
 3 and litigation by private parties, or public statements against us by consumer
 4 advocacy groups or others and ***could cause our users to lose trust in us, which could***
 5 ***adversely affect our business, financial condition, or results of operations.***
 6 Additionally, if third parties we work with, such as users, developers, vendors,
 7 service providers, or other business partners violate applicable laws or our policies,
 8 such violations may also put our users' information at risk and could in turn
 9 adversely affect our reputation, business, financial condition, and results of
 10 operations.

11 132. The above warnings were repeated in identical form in AppLovin's annual report
 12 filed with the SEC on Form 10-K for full year 2024 ("FY24"), signed and certified pursuant to SOX
 13 by Foroughi and Stumpf.

14 133. Defendants' risk factor statements referenced in ¶¶130-132 were materially
 15 misleading because the Company disclosed as a hypothetical risk that any "actual" or "perceived
 16 failure" by the Company to comply with laws and regulations and various terms of service "***could***"
 17 cause reputational harm that "***could***" adversely affect AppLovin's business and operations while at
 18 the same time actively concealing inherently risky business strategies that directly and negatively
 19 affected the Company's reputation. In reality, AppLovin was already engaged in inherently risky
 20 and improper business strategies—including forcing unwanted app installations, spamming users
 21 with unseen background and junk ads designed to manufacture clicks, engagement, and impressions,
 22 improper fingerprinting and collection of PIGs, and misappropriating attribution credit from Meta—
 23 that directly exposed the Company to precisely the privacy and consumer-protection violations
 24 described above. See ¶¶98-114, *supra*. These practices were not hypotheticals but ongoing
 25 misconduct that posed immediate reputational and regulatory risks. By framing these risks as
 26 speculative possibilities, Defendants misled investors about the true condition of AppLovin's
 27 business and concealed the extent to which its reported growth was dependent on unlawful and
 28 unsustainable practices.

134. In response to Defendants' November 6, 2024 statements, the price of AppLovin
 Class A common stock increased \$77.98 per share (+46.3%) by the close of the market on
 November 7, 2024, compared to a 0.7% increase in the Standard & Poor's 500 Stock Index ("S&P
 500").

1 **B. December 11, 2024—Nasdaq Investor Conference**

2 135. On December 11, 2024, Foroughi and Stumpf gave a presentation on behalf of
3 AppLovin at the Nasdaq Investor Conference. In response to a question regarding the excitement
4 generating by the pivot to e-commerce advertising, Foroughi likened the Company's move to other
5 sectors to TikTok's expansion beyond music videos, and again claimed the e-commerce pilot was
6 "the fastest-growing product" the Company had ever released:

7 **[Morgan Stanley Analyst:]** Let's shift to a topic I think a lot of people in the room
8 were probably very excited about, which is e-commerce advertising. So let's just
9 start with, what are you doing in e-commerce? How are the early tests going? And
10 why do you think AppLovin will win in this category?

11 **[Foroughi:]** Yeah. So obviously, there's a lot of excitement around this. But
12 let me start with why we ended up talking about expanding outside of gaming to
13 begin with. When we launched AXON 2.0, we saw the power of this technology,
14 and this is what I call personalization technology. It's a recommendation engine
15 that's really powerful.

16 Now if you have a recommendation technology and you give it just one
17 category of content, it can't really do what it's designed to do. An analogy would be
18 it's easy to forget that TikTok once was Musical.ly. When they bought that company
19 for under \$1 billion, it was niche. They only showed music videos. Then they
20 opened up to all types of content and let the technology do the rest to scale the
21 product.

22 *Well, we've got a similar technology, it's very powerful, and we let it only
23 show gaming advertisements to the consumer. So once we saw the power of this
24 technology, we said, look, this thing is going to be able to do anything. So let's get
25 it to be open to everything.*

26 *And so we started building the tools and technologies to enable any website
27 with the business model to be able to advertise on our platform and reach this
28 really large audience of 1.4 billion daily actives through us and do it on a
performance basis. And so we had a lot of confidence that we were able to – we
were going to be able to do this. We did that work. We rolled it out. And now
there's been a lot of noise on Twitter from customers that are early in a pilot that
we're running that are seeing phenomenal results.*

29 And so I'd urge investors to go to Twitter to – and look up AppLovin and just
30 see the commentary to understand really how performant this product is for those
31 advertisers. We haven't talked much about the details outside of that. But I did say
32 on our earnings call last quarter, *this is the best and fastest-growing product we've
ever released. That includes the algorithm itself.* So we're really excited about
33 what the potential is here.

34 136. Foroughi also claimed that the data they had seen in the e-commerce pilot confirmed
35 that they could expand its advertising services to "any company that is online with a website that has
36 a business model":

1 **[Morgan Stanley Analyst:]** Great. So when we think about your machine
 2 learning engine, which is branded as AXON. So when we think about AXON and
 3 the ability to extend to e-commerce, does that imply that you could extend the
 4 business to other non-gaming ad verticals? And if so, how broad is that opportunity?

5 **[Foroughi:]** Yeah. We think it's really broad. *We expect, now that we've*
 6 *seen the data that we've seen, that any company that is online with a website that*
 7 *has a business model, that drives to some KPI will be able to buy advertising*
 8 *through our platform.* Now that KPI may vary. We've chosen specifically to go
 9 after mid-market direct-to-consumer shops right now.

10 Now their KPI is revenue and profit. They want to advertise and get users
 11 and know that they're making an incremental profit on that advertising. To us, that's
 12 the hardest KPI because it's so far down the funnel. Now you can imagine a
 13 different type of advertiser who's sending e-mails to sell financial tips could come
 14 online. Well, we can certainly sell e-mails. That's easier to go build the cost per
 15 lead model, and that exists in the system already.

16 Another advertiser, like a streamer, might want to sign up subscribers. Cost
 17 per registration is also supported in the system. *So because we have a KPI-based*
 18 *advertising model, it's completely automated, and we've proven we can expand out*
 19 *to web and make it work across a wide variety of different types of business models*
 20 *at all sorts of different prices in terms of cost-per-goods sold and revenue-per-*
 21 *goods sold, we know now that we can go out and expand this product to millions*
 22 *and millions of customers in the future.*

23 137. The statements detailed in ¶¶135-136 above were false or misleading when made.
 24 Foroughi's assertion that AppLovin had built "the tools and technologies" to enable businesses to
 25 profitably advertise through its platform "on a performance basis" concealed that the Company's
 26 historic success in mobile ad-gaming was driven by deceptive practices such as forcibly triggering
 27 app installations, spamming junk ads to maximize clicks, engagement, and impressions, and
 28 generating "invisible" ad impressions to inflate performance metrics. See ¶¶99-105, *supra*.
 Likewise, AppLovin's purported "expansion" into e-commerce was not driven by any technological
 breakthrough, but was artificially manufactured by: (a) offering generous incentives to a limited
 group of cherry-picked advertisers who were already spending substantial advertising dollars on
 Meta; (b) artificially exposing devices to AppLovin ads, thereby enabling AppLovin to claim
 attribution credit for purchases actually driven by Meta; and (c) timing the rollout of its e-commerce
 pilot to take advantage of seasonal holiday shopping to create the illusion of explosive growth. See
 ¶¶47, 106-114, *supra*. By assuring investors that AXON 2.0 could support "millions and millions"
 of non-gaming advertising businesses on a performance basis, Foroughi misrepresented both the
 source of the Company's past growth and the viability of its new e-commerce product.

1 **C. February 12, 2025—4Q24 and FY24 Earnings Report**

2 138. On February 12, 2025, AppLovin announced its financial results for 4Q24 and FY24
3 in a press release and Form 8-K filed with the SEC, as well as in a shareholder letter signed by
4 Foroughi (the “4Q24 Shareholder Letter”). In the 4Q24 Shareholder Letter, Foroughi stated:

5 From the outset, we committed to building products that not only automated
6 marketing but also delivered measurable incremental earnings. We wanted to design
7 a platform to help our *customers spend every dollar on acquiring users profitably
and transparently*. This principle continues to guide the innovations we deliver to
our partners.

8 *These principles were on full display in 2024, a year that not only brought*
9 *significant growth—marked by a remarkable 75% increase in revenue in our*
10 *advertising business—but also showcased the transformative potential of AI and*
11 *automation*. We’ve spent several quarters optimizing our teams to embrace
automation, knowing the world is moving in this direction. We believe those who
view these technologies as allies, rather than threats, will unlock extraordinary
potential and we aim to lead by example.

12 (Footnote omitted.)

13 139. In the same shareholder letter, Foroughi continued to emphasize the Company’s use
14 of AI technologies as a key driver of growth:

15 Over the last few years, our team has achieved extraordinary things. *We’ve*
16 *built an advertising model as powerful as any advertising AI model in the world,*
17 *delivering measurable success for our partners*. Early adopters in gaming and
direct-to-consumer commerce *have already seen the impact of our technology*, and
our mission is clear: to onboard every business that wants to drive measurable
growth.

18 We are driven by the belief that our technology can positively impact the
19 global economy. By helping businesses of all kinds efficiently connect with their
20 audiences, we unlock their potential to grow and thrive.

21 140. Foroughi’s statements in ¶¶138-139 were false and misleading when made. By
22 claiming that AppLovin’s platform enabled advertisers to “spend every dollar on acquiring users
23 profitably and transparently,” and touting a 75% revenue increase as proof of the “transformative
24 potential of AI and automation,” Foroughi concealed the true drivers of the Company’s reported
25 growth including deceptive advertising practices that forcibly triggered app installations,
26 manipulated and inflated clicks, engagement, and ad impressions, and misappropriated e-commerce
27 attribution from Meta. *See* ¶¶98-114, *supra*. It was false and misleading for Foroughi to attribute
28 AppLovin’s growth to “the impact of [the Company’s] technology” when the growth was driven by

these undisclosed and improper practices. Likewise, it was false and misleading for Foroughi to state that AppLovin had “built an advertising model as powerful as any advertising AI model in the world, delivering measurable success,” when in reality its mobile ad-gaming revenues were fueled by these deceptive ad practices and its e-commerce platform depended on claiming credit for e-commerce conversions that were generated by Meta. Thus, Foroughi misled the market regarding the sustainability and legitimacy of AppLovin’s platform.

141. On the February 12, 2025 earnings call, Foroughi’s prepared remarks highlighted the “meaningful” (but undisclosed) advertising dollars the Company was able to capture from its e-commerce pilot as proof of concept that AppLovin was positioning itself “to serve the entire global advertising economy,” and announced that AppLovin would be selling its Apps business to focus solely on the Advertising business:

Q4 was a major milestone, arguably our most foundational period since the AXON upgrade in 2023. For the first time, *we captured meaningful holiday shopping advertising dollars* and witnessed the impact of an advertising category beyond solely gaming contributing to our growth. I’m sure many of you are curious about how much revenue our e-commerce category contributed.

While we’re not breaking out revenue by vertical because that’s not how we view our business, I’d like to provide some perspective. We operate a platform that reaches over 1 billion people in mobile games daily, with their engagement times comparable to social networks.

Historically, most of our ads focused on advertising for other games, but now we’re attracting a broader set of advertisers. *Q4 results show that our models can perform in other categories, in addition to continuing to improve performance for our gaming customers.* This breakthrough is only the beginning. We’ve now also validated that our platform success isn’t only limited to direct-to-consumer brands.

Early pilots have shown positive outcomes for a range of advertisers, suggesting that any business in any vertical can harness the power of our platform. This opens up a massive opportunity as there are over 10 million businesses worldwide you advertise online that could eventually use our platform profitably.

By delivering incremental value, we position ourselves as an engine for growth. It’s a win-win for brands, consumers and shareholders. *These early results solidify our vision of building one of the most influential marketing platforms in the world. Where we once focus on gaming, we’re now positioning ourselves to serve the entire global advertising economy.* Importantly, the users engaging with our network aren’t just shifting existing purchases. They’re discovering new products while playing the games they love, generating truly incremental demand.

By enabling these discoveries, we’re expanding the global economy for consumers and advertisers alike. *Demand from advertisers wanting to join our platform is high.* Currently, our systems are still being fully developed and lack the

1 full self-service capabilities needed to handle growth at scale. Our priority this year
2 is to develop and roll out more automated tools to allow countless new businesses to
tap into our platform.

3 In line with this expanding focus on advertising, we've been assessing how
4 best to invest our resources to serve the needs of a global client base. ***Seven years
ago, we began acquiring gaming studios to help train our earliest machine
learning models, an invaluable step in shaping the AI that underpins our AXON
platform.***

6 However, we've never been a game developer at heart. We have immense
7 respect for the creativity it takes to build games, including from teams in our studios.
Today, we're announcing we've signed an exclusive term sheet to sell all of our apps
8 business.

9 142. During the question-and-answer portion of the same earnings call, Foroughi stated
10 that the Company's e-commerce product was "***seeing success across any category that comes on to
the platform***, which gives us a lot of confidence . . . as we go through the year." Stumpf similarly
11 maintained that the Company still felt "***very confident . . . [in] the ability for us to contribute a
material portion of revenue from the e-commerce opportunity in 2025.***"

13 143. Analysts were excited about e-commerce's contribution to the Company's revenue,
14 with Foroughi claiming the Company now had "proof of life in e-commerce," while claiming
15 revenue broken out by category did not matter:

16 We're really, really early still in AI development and research, both inside
17 our company and then obviously externally, too. This is not a field that's mature.

18 It's early in its existence. It's only going to get better. And when our models
19 get better, we've all seen the impact to revenue. And the other piece is, we've
always been a closed managed platform, specifically for mobile games. ***We now
have a lot of proof of life in e-commerce.***

20 You've seen it on Twitter, a lot of the noise from customers that are in.

21 But we have not let a lot of customers onto the platform yet as we've been on
22 pilot. ***As we go more and more open and start attracting thousands and tens of
thousands, hundreds of thousands of customers to come on over the coming
quarters and years, the business is going to continue to show compelling growth.
We look at it as one single business and better monetizing the 1 billion-plus daily
actives that we see. We don't think about it as revenue from each category matters.***

23 144. While Defendants were opaque about the number of companies included in the e-
24 commerce pilot, Foroughi claimed "***we've got just customers coming to us[,] [s]o there's a long,
long line out the door.***"

145. The statements in ¶¶141-144 were false and misleading when made. By claiming that AppLovin had “captured meaningful holiday shopping advertising dollars,” achieved “proof of life in e-commerce,” and could perform across “any business in any vertical,” Foroughi misrepresented both the source of the Company’s growth and the viability of its platform. In reality, AppLovin’s purported success outside mobile gaming was not the product of a transformative AI breakthrough or genuine advertiser demand, but instead relied on: (a) offering generous incentives to a limited group of cherry-picked advertisers who were already spending substantial advertising dollars on Meta; (b) artificially exposing devices to AppLovin ads, thereby enabling AppLovin to claim attribution credit for purchases actually driven by Meta; and (c) timing the rollout of its e-commerce pilot to take advantage of seasonal holiday shopping to create the illusion of explosive growth. *See* ¶¶47, 106-114, *supra*. Likewise, the Company’s prior success in mobile gaming was itself the result of deception, including forced app installations, junk ads designed to maximize clicks, engagement, and impressions, and “invisible” background ad impressions designed to inflate revenue. *See* ¶¶99-105, *supra*. Thus, by assuring investors that AppLovin was positioned “to serve the entire global advertising economy” and generate “a material portion of revenue from the e-commerce opportunity in 2025,” Foroughi and Stumpf concealed that the Company’s business remained dependent on deceptive practices and the unsustainable claiming of sales attributable to Meta.

146. In response to Defendants’ February 12, 2025 statements, the price of AppLovin Class A common stock increased \$91.35 per share (+24.0%) by the close of the market on February 13, 2025, compared to a 1.0% increase in the S&P 500.

D. February 26, 2025—CEO Blog Post

147. On February 26, 2025, in response to the release of short-seller reports questioning the integrity of AppLovin’s business practices, AppLovin issued a public blog post titled “Note from our CEO.” In the post, CEO Foroughi denied the reports’ allegations as “false and misleading claims” made by “nefarious short-sellers.” Foroughi asserted that AppLovin’s success was driven by “sophisticated AI models,” and addressed specific topics including platform compliance, consumer experience, data practices, financial transparency, and the performance of its e-commerce pilot:

1 **Consumer Experience:**

2 *We earn revenue based on the value we drive—not on clicks or mere*
 3 *impressions. Our advertisements are designed to generate real engagement and*
 4 *revenue for our advertisers. Every download results from an explicit user choice—*
 whether via the App Store or our Direct Download experience. *Our economic model*
 5 *demand that ads lead to genuine, high-intent engagement, ensuring our*
 6 *campaigns deliver meaningful, measurable results.*

7 * * *

8 **E-commerce Pilot:**

9 *Our e-commerce pilot is performing exceptionally well. The current*
 10 *requirement for a minimum monthly media spend is designed to justify the*
 11 *resources needed for manual onboarding. We plan to expand our self-service tools*
 and gradually lift these requirements over the year. To highlight our success, *in*
December, we reached a run rate of roughly \$1 billion a year of gross advertiser
 12 *spend in the e-commerce category alone from around 600 customers. The growth*
 13 *potential in the coming years is substantial. Moreover, the speed of this growth*
 14 *clearly demonstrates the legitimacy and effectiveness of our platform.*

15 148. The statements detailed in ¶147 above were false or misleading when made. First,
 16 Foroughi's claim that AppLovin's revenue is based on the "value" it drives, "not on clicks or mere
 17 impressions," was false and misleading, and directly contradicted the Company's own disclosures
 18 that: (a) the Company recognizes "Advertising Revenue . . . when the ad is displayed to users"; and
 19 (b) concerning in-app advertising revenue, the Company recognizes revenue "when the ad is
 20 displayed to users." See ¶¶28, 35, *supra*. Likewise, Foroughi's assertions that AppLovin's
 21 "advertisements are designed to generate real engagement" and "[e]very download results from an
 22 explicit user choice" were false and misleading: AppLovin designed ads to maximize clicks and
 23 impressions to drive revenue, and to do so, it forced app installations onto users' devices without
 24 their knowledge; because these apps were installed onto users' devices without their knowledge,
 25 they were plainly not the result of "explicit user choice." See ¶¶99-105, *supra*. Second, Foroughi's
 26 statements that the "e-commerce pilot is performing exceptionally well," that the "minimum monthly
 27 media spend" requirement was meant to cover onboarding, and that "the speed of this [e-commerce]
 28 growth clearly demonstrates the legitimacy and effectiveness of our platform" were each false and
 misleading. AppLovin's e-commerce platform results were artificially distorted by: (a) offering
 generous incentives to a limited group of cherry-picked advertisers who were already spending
 substantial advertising dollars on Meta; (b) artificially exposing devices to AppLovin ads, thereby

enabling AppLovin to claim attribution credit for purchases actually driven by Meta; and (c) timing the rollout of its e-commerce pilot to take advantage of seasonal holiday shopping to create the illusion of explosive growth. *See* ¶¶47, 106-114, *supra*. The “growth” AppLovin touted in e-commerce was nothing more than claiming credit and piggybacking on Meta’s success.

VII. ADDITIONAL SCIENTER ALLEGATIONS

A. Massive Insider Stock Sales Support the Strong Inference of Scienter

149. AppLovin insiders, including the Individual Defendants, had substantial financial incentive to commit the fraud alleged herein, as they conducted a massive insider selling spree during the Class Period while AppLovin Class A common stock traded at artificially inflated prices. Their Class Period insider sales of more than 8.3 million Class A shares for ***more than \$2.6 billion*** in proceeds supports a strong inference that insiders timed their respective trading with knowledge of the alleged fraud and sought to capture the stock’s artificially inflated trading price before the market could learn and absorb the truth about Defendants’ fraudulent conduct.

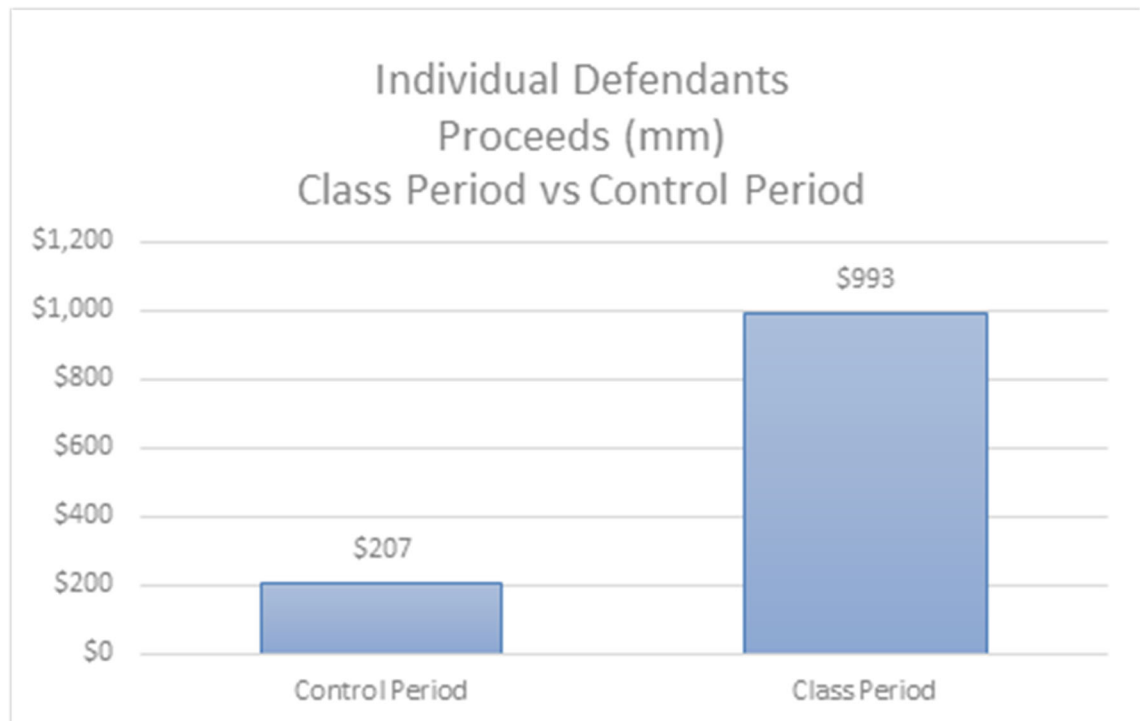
150. The Individual Defendants themselves collectively sold more than three million shares for nearly \$1 billion in proceeds at times calculated to maximize personal benefit from undisclosed inside information, while private equity insider firm KKR completely exited its position by unloading nearly 5.3 million shares for more than \$1.6 billion in proceeds on a single day—just two weeks into the Class Period and immediately following a major spike in AppLovin’s stock price. As described *infra* (*see* ¶¶236-240), and as set forth in **Appendix 2**, Defendants’ sales of AppLovin shares were also made contemporaneously with Lead Plaintiffs’ purchases of AppLovin shares during the Class Period.

151. As demonstrated below, the magnitude of these insider sales is extraordinary:

Insider	Position	Shares	Amount
Foroughi	CEO & Chair	1,043,530	\$350,430,570
Shikin	CTO	1,145,227	\$362,454,075
Chen	CFO & Director	790,000	\$262,938,721
Stumpf	CFO	51,525	\$16,914,120
Total: Individual Defendants		3,030,282	\$992,737,486
KKR		5,274,246	\$1,634,860,909
Total Insiders		8,304,528	\$2,627,598,396

1 1. The Individual Defendants Insider Selling Is Highly Suspicious

2 152. The amount, nature, and timing of Foroughi's, Chen's, Stumpf's, and Shikin's insider
 3 dispositions were dramatically out of line with their prior trading history and were conducted at
 4 times to maximize their personal benefit while AppLovin Class A common stock traded at record
 5 high prices.²² Indeed, during the equivalent pre-Class Period interval "Control Period" (*i.e.*, from
 6 June 19, 2024 through November 6, 2025), the Individual Defendants sold significantly less in terms
 7 of total proceeds received:



20

21

22

23

24 ²² As further detailed in **Appendix 1**, the shares sold by the Individual Defendants during the Class
 25 Period were all listed with either an "S" or "F" transaction code on their Forms 4 filed with the SEC.
 26 According to the SEC, transaction "Code S" is used to identify open market sales, whereas "Code F"
 27 transactions are those whose proceeds are purportedly used for the "[p]ayment of exercise price or
 28 tax liability by delivering or withholding securities incident to the receipt, exercise or vesting of a
 security issued in accordance with Rule 16b-3." Even if the proceeds of these Code F transactions
 legitimately went towards the payment of a stock option exercise price or tax liability, the Individual
 Defendants still personally profited from transacting in AppLovin stock at artificially inflated prices
 by tendering fewer shares to cover such liabilities.

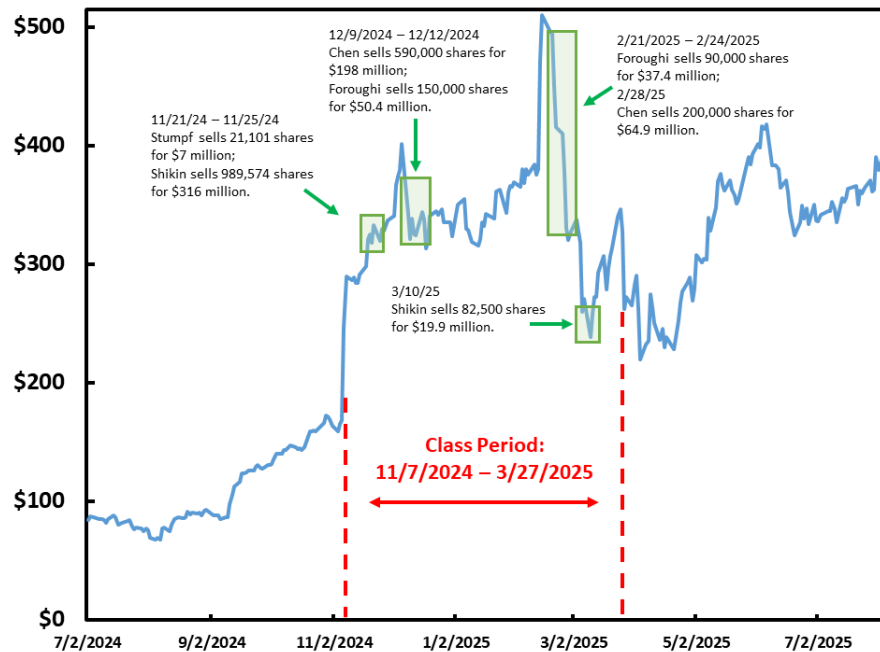
153. The magnitude of the Individual Defendants' sales also represented significant proportions of their total Class A shareholdings, and the proceeds were astronomically higher than their annual salaries.²³

Defendant	Class A Shares Sold	Proceeds	Base Salary (Year)	Proceeds: Base Salary	% of Sales to Total Class A Ownership During Class Period (Measured as of March 31, 2025)
Foroughi	1,043,530	\$350,430,570	\$400,000 (2024)	876:1	26.9%
Chen	790,000	\$262,938,721	\$400,000 (2023)	657:1	49.3%
Stumpf	51,525	\$16,914,120	\$400,000 (2024)	42:1	22.5%
Shikin	1,145,227	\$362,454,075	\$400,000 (2024)	906:1	22.5%
TOTALS	3,030,282	\$992,737,486			

154. Further, each of the Individual Defendants sold Class A common stock within three months of the first corrective disclosures made on February 20, 2025, while the Company was concealing material, nonpublic information regarding its deceptive advertising practices and e-commerce pilot. In fact, in the week between the Bear Cave Report (February 20, 2025) and the Fuzzy Panda and Culper Reports (February 26, 2025) and related ensuing stock price drop, Foroughi sold 90,000 shares of Class A common stock for gross proceeds of more than \$37 million. Immediately after the Fuzzy Panda and Culper Reports, Chen likewise sold 200,000 shares for approximately \$65 million in proceeds as the Company's stock continued to decline. As shown in

²³ While Foroughi and Chen also held shares of Class B common stock, they were highly disincentivized from selling such shares in order to maintain their voting control of the Company. AppLovin's Class B common stock has 20 times the voting power as the Class A common stock. As set forth in AppLovin's SEC filings, "[t]he multi-class structure of [AppLovin's] common stock is intended to ensure that, for the foreseeable future, [its] CEO and Co-Founder Adam Foroughi continues to control or significantly influence the governance of the Company." Through their exclusive ownership of Class B shares, Chen and Foroughi are "collectively able to determine or significantly influence any action requiring the approval of [AppLovin's] stockholders, including the election of [its] Board of Directors, the adoption of amendments to [its] certificate of incorporation and bylaws, and the approval of any merger, consolidation, sale of all or substantially all of our assets, or other major corporate transaction." Class B shares are "neither listed nor traded" publicly.

the chart below, even when looking at just Code S open market sales, the Individual Defendants purposefully timed their trades to maximize their gains from the stock's artificial inflation:



155. An analyst at *Seeking Alpha* highlighted these concerns about “unprecedented insider selling activity” following the Company’s November 6, 2024 earnings release, flagging for investors that insider sentiment may not align with what investors knew:

Because November 2024 witnessed unprecedented insider selling activity totaling \$3.6 billion across 12 transactions. The scale of this selling activity, particularly from key executives, including the Chief Technology Officer [Shikin] and multiple directors, raises concerns about insider sentiments on the stock’s current valuation levels.²⁴

156. That analyst referred to the Company’s “Insider Selling Spree” as “one of the most significant red flags” for the Company:

Insider Selling Spree

The recent insider trading activity at AppLovin presents one of the most significant red flags in my analysis. In November 2024, insiders were on a selling spree. The month recorded a staggering \$3.6 billion in insider sales across 12 separate transactions, marking the largest monthly insider selling volume in the company’s history. What makes this selling particularly noteworthy is not just its magnitude, but the broad participation across multiple levels of leadership and the complete absence of offsetting insider purchases.

²⁴ The total insider sales referenced by *Seeking Alpha* includes sales from non-defendant Company insiders.

1 157. The *Seeking Alpha* analyst also noted “[t]he fact that no insider purchases were
2 recorded during the whole year of intense selling activity further reinforces the bearish signal”; in
3 other words, that the stock’s valuation was likely unsustainable. According to that analyst:

4 The total value of \$3.6 billion in sales represents a significant portion of AppLovin’s
5 market capitalization and suggests a coordinated view among insiders about the
stock’s current valuation levels.

6 . . . [T]he nature of this selling activity spanning multiple executive levels,
7 board members and a major institutional holder sends a clear signal about insiders’
collective assessment of the risk-reward profile at current valuations.

8 158. That market report scrutinized Shikin’s November 2024 sales in particular, reporting
9 that as to his disposal of nearly one million shares, “[t]he timing and size of these sales from the
10 company’s technical leader given AppLovin’s heavy emphasis on its AI-driven AXON technology
11 raises questions about the sustainability of the company’s competitive advantage.” Shikin’s
12 November 2024 sales alone amounted to over \$315 million in proceeds.

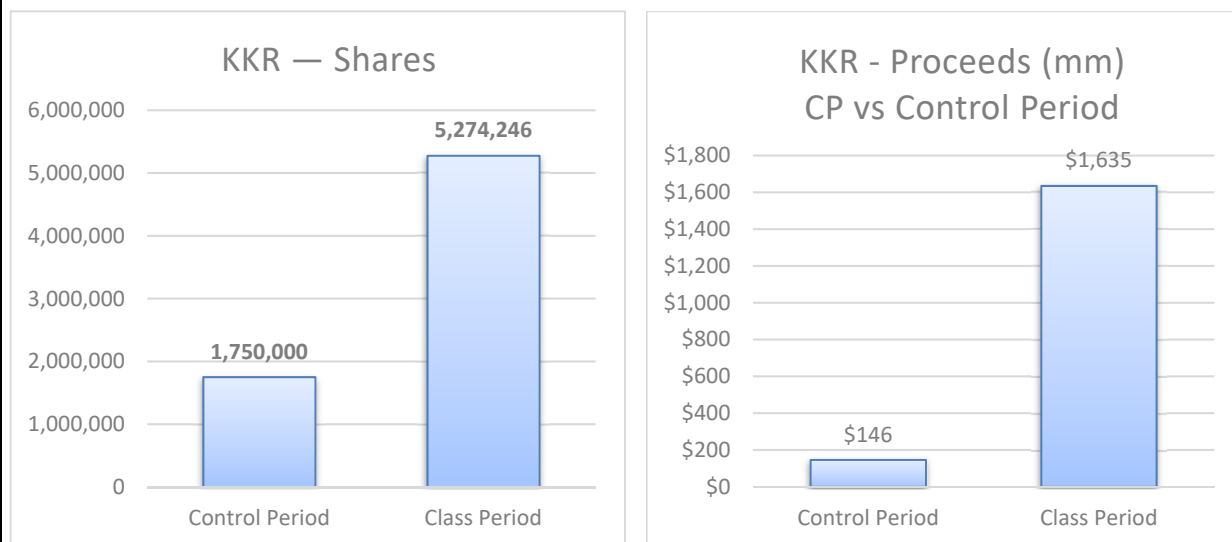
13 159. Notably, none of the Individual Defendants other than Shikin utilized Rule 10b-5
14 trading plans to execute their share disposals. Sales of this magnitude by Foroughi, Chen, and
15 Stumpf are highly suspicious absent a trading plan. While Shikin did utilize trading plans, his usage
16 of these plans is highly suspicious. Shikin entered into two different plans in a six-month period,
17 one established on December 9, 2024 during the Class Period, just six months after the previous plan
18 had been established on June 7, 2024. Moreover, Shikin’s trades do not follow any discernible
19 pattern and appear to be one-off in nature, rather than part of a regular, pre-scheduled trading plan.

20 **2. KKR’s Selling Is Highly Suspicious**

21 160. Shortly after the start of the Class Period, private equity investor KKR completely
22 liquidated its position in AppLovin in a highly suspicious, one-day transaction on November 21,
23 2024. Specifically, on November 21, 2024, KKR sold 5.3 million AppLovin shares, its entire
24 remaining holdings in AppLovin, for proceeds of over \$1.6 billion. According to an analyst at
25 *Seeking Alpha*, the “large-scale exit by a sophisticated institutional investor [KKR] that likely has
26 deep insight into the [C]ompany’s operations and prospects is particularly concerning.”²⁵

27
28 ²⁵ KKR had special access to information and the ability to exert control over AppLovin as a party
to an August 15, 2018 Investors’ Rights Agreement, which granted KKR, *inter alia*, the right “to

161. The magnitude and timing of this sale are particularly suspicious when compared to KKR's prior trading activity during the Control Period. For example, on May 13, 2024, KKR sold only 1.75 million shares for proceeds of approximately \$146 million. Just months later and following a sharp increase in AppLovin's stock price, KKR increased the size of its sale by more than ten-fold in order to capitalize on the inflated price.



3. Suspiciously-Timed Sales by Other Company Insiders

162. In addition to the Individual Defendants and KKR, at least six other AppLovin insiders unloaded another 235,978 AppLovin shares for proceeds of nearly \$73 million—including the Company's Chief Marketing Officer ("CMO"), Secretary, and four Directors. These sales were similarly timed to take advantage of the inflated share price. In total, at least ten different insiders dumped shares during the Class Period at artificially inflated prices.

Name	Position	Date	Shares	Price	Amount
Jansen, Katie Kihorany	CMO	11/12/24	59,876	\$286.14	\$17,132,855
Jansen, Katie Kihorany	CMO	11/13/24	59,876	\$286.12	\$17,131,990
Billings, Craig Scott	Director	11/21/24	18,000	\$318.94	\$5,740,954
Vivas, Eduardo	Director	11/26/24	30,330	\$330.67	\$10,029,070

visit and inspect the Company's properties; examine its books of account and records; and discuss the Company's affairs, finances, and accounts with its officers, during normal business hours of the Company." KKR also had the unique right to attend all AppLovin Board meetings and give all meeting materials to KKR's directors. KKR also had a nexus to the internal operations of AppLovin through its relationship with Chen—Chen was the former head of Technology, Media, and Telecom at KKR, and in that capacity, he led KKR's \$400 million investment in AppLovin.

	Name	Position	Date	Shares	Price	Amount
1	Harvey Dawson, Alyssa	Director	11/27/24	3,000	\$325.76	\$977,282
2	Georgiadis, Margaret	Director	11/29/24	30,500	\$339.69	\$10,360,433
3	Valenzuela, Victoria	Secretary	12/03/24	17,925	\$354.15	\$6,348,053
4	Harvey Dawson, Alyssa	Director	12/06/24	500	\$406.27	\$203,134
5	Valenzuela, Victoria	Secretary	12/19/24	15,971	\$313.07	\$5,000,041
6	Total—Other Insiders			235,978		\$72,923,812

B. The Fraud Involved AppLovin's Core Products and the Individual Defendants Are High-Level Executives Who Were Directly Involved in or Informed of the Company's Operations

163. Foroughi (CEO and Board Chairman), Stumpf (CFO), Shikin (CTO), and Chen (Director and former CFO) were AppLovin's top executives and thus, were responsible for, and remained well informed of, issues critical to the Company's success. Throughout the Class Period, AppLovin's financial operations were overseen by the Individual Defendants. Foroughi and Stumpf, specifically, repeatedly spoke on investor conference calls with analysts concerning the Company's financial results and pivot into e-commerce. Those statements explicitly reference the duo's access to and technical knowledge of data concerning the Company's core products and the purported impacts those products had on the Company's revenue. As CTO, Shikin led the engineering teams responsible for developing the Company's core products, while Foroughi was the public-facing architect of the Company's product strategies and strategic business transformations. The Company's business and affairs were also managed by and under the direction of the Company's Board, for which Chen was a member and Foroughi was the Chairperson.

164. The fraud alleged herein involves the operations and prospects of AppLovin's primary business segment, Advertising, and the Company's main advertising revenue drivers (including mobile game advertising and e-commerce). Advertising revenue was the Company's largest contributor to the Company's bottom line during the Class Period.

165. The vast majority of the Company's Advertising revenue is generated through two core products developed by AppLovin—AppDiscovery and MAX. MAX, the Company's mediation platform, gathers pricing data from ad networks and publishers, providing the Company's proprietary AI tool AXON 2.0 with troves of data purportedly used for machine learning, which then

1 facilitates the matchmaking between advertisers and publishers in AppDiscovery, the Company's
2 Advertising platform.

3 166. Prior to the Class Period, the Company's advertising segment experienced explosive
4 growth, purportedly thanks to the Company's launch of AXON 2.0. AXON 2.0 was a purportedly
5 meaningful driver of the Company's performance, and Foroughi specifically identified
6 improvements to AXON 2.0 as the "core offering" of the Company's business, powered by "cutting-
7 edge AI technologies."

8 167. In a pre-Class Period earnings call, Foroughi described that "incremental
9 improvements in our technology is fundamentally core to our business on an ongoing basis," and
10 that AXON 2.0 represented AppLovin's "biggest change for us in our business today It's a
11 material upgrade of our core platform" Foroughi was personally knowledgeable about AXON
12 2.0's capabilities, noting that the "core expertise" behind it will "fuel our business for some time."
13 According to Foroughi, as AXON 2.0 evolved, it would directly "generate lifts to revenue":

14 [A]s we go to AXON 2, there's, on an ongoing basis, incremental improvements that
15 we can make to the platform. *That will fuel our business for some time.* And then
16 there's the incremental uptick to AXON 3, and then AXON 4 and AXON 5. *This*
17 *core expertise is going to drive our business for a very, very long time. These*
18 *technologies are only going to get more powerful.* And because of our market-
19 leading position, we've got so much volume flowing through our systems that
20 efficiency gains from these technologies, *as they evolve, will generate lifts to*
21 *revenue.*

22 168. Foroughi was also knowledgeable about the engineering behind AXON 2.0 and often
23 answered analyst questions concerning AXON technology and its "self-learning" capabilities.
24 According to Foroughi, the Company's AI model was "serving a ton of impressions every single
25 day. And there's a feedback loop that gets this data back into the model and improves itself," which
26 is why, according to Foroughi, AXON got better over time. AXON's data capabilities were
27 purportedly unmatched. According to Foroughi, "[i]n our model, we're getting an insane amount of
28 data into the system every single day. [The] [s]ystem is continuing to improve itself," through the
Company's "cutting-edge technologies."

169. According to Stumpf, as AXON improved, so too did the Company's net revenue per
installation. During the Company's May 8, 2024 earnings call with analysts and investors, Stumpf

1 attributed the “increase in both the net revenue per install as well as the volume of installations . . .
2 [to] the continued improvement of AXON.” As Stumpf stated, he expected to see “both a growth in
3 the amount of money we’re making per installation and volume of install as we see more advertisers
4 increase their spend” as AXON improved over time.

5 170. According to Foroughi, AppLovin’s advertising revenue grew “because our models
6 continue to improve,” and the Company’s goal was “[c]ontinued improvement from our models as
7 they learn [from] more data.” Foroughi stated that AppLovin’s models get “better every single
8 quarter because they see more data and they get more accurate. And that’s – these models by
9 definition, this is how they work.” Foroughi told analysts that these improvements are readily
10 visible to him, stating, “we see that in real-time, the models continue to get more accurate.”

11 171. As the Company rolled out AXON 2.0, Foroughi claimed it was the “key catalyst” for
12 the Company’s Advertising business, and AXON 2.0 is credited by analysts with spurring the high-
13 double-digit growth in the Company’s Advertising segment. *See, e.g.*, ¶¶31, 39.

14 172. As part of the Company’s strategic shift to compete more broadly in the global
15 advertising economy, the Company began using its AXON 2.0 engine to power its e-commerce
16 marketing platform, Audience+. Foroughi claimed that through Audience+ and e-commerce,
17 AppLovin was “building a platform with the potential to transform global marketing,” and described
18 the new e-commerce program as “the best product I’ve ever seen released by us, fastest growing.”
19 According to analysts at BTIG, that sentiment pointed to “[AudiencePlus] potentially being more
20 impactful than the Axon 2.0 launch was in its first year.”

21 173. Notably, and further evidencing Defendants’ access to reports concerning the
22 Company’s AXON and e-commerce products and unbeknownst to investors, Foroughi admitted,
23 after the Class Period, that the Company also deliberately constrained the rollout of the e-commerce
24 product during the Class Period because it was not yet “at the level that we wanted to get it to.”

25 174. More than two thirds of the Company’s 2024 revenue was attributed to AppLovin’s
26 Advertising operations. Thus, a strong inference arises that the Individual Defendants were aware
27 of, or recklessly disregarded, the true facts contradicting their false and misleading statements
28 concerning advertising revenue drivers and prospects.

175. According to Foroughi, he took on the role of Head of HR in 2024 (while still serving as AppLovin’s CEO), and at the same time, the Company’s engineering team, overseen by Shikin “absorbed” the Company’s product development.

176. As the Company pivoted to e-commerce, Foroughi also identified a new “favorite metric” for gauging the Company’s success—“adjusted EBITDA per employee”—which purportedly “underscores [the Company’s] commitment to operational excellence.” In his new role as Head of HR, Foroughi was able to manipulate that new “favorite metric” by “shedding” over 300 employees through permanent layoffs. With Foroughi at the helm of HR, he drove the Company from \$1.5 million adjusted EBITDA per employee in 3Q24 to approximately \$4 million in the first quarter 2025 (“1Q25”). Analysts attributed the increase in EBITDA per employee to the Company’s decreasing headcount. Thus, in his role, Foroughi was able to manipulate the data presented to the market while simultaneously obfuscating just how successful the Company’s e-commerce product was.

177. Due to their positions as senior Company insiders, the Individual Defendants stood to benefit from the Company’s e-commerce smoke-and-mirrors game. As the Company touted success in e-commerce, AppLovin’s share price experienced a meteoric rise, with at least five Company insiders, including defendants Chen and Foroughi, achieving billionaire status. The duo amassed their AppLovin wealth while Foroughi effected layoffs in an effort to increase the perception of operational growth in the “favorite” EBITDA per employee metric.

C. AppLovin’s Fraudulent Conduct Required Foroughi’s and Chen’s Participation and Approval

178. Foroughi and Chen (collectively and with certain affiliates) maintained concentrated control over AppLovin through their collective ownership of all of the Company’s issued and outstanding shares of Class B common stock—holding approximately two-thirds of AppLovin’s aggregate voting power as of March 31, 2025. As of March 31, 2025, Chen held 5.1% of the Company’s aggregate voting power, and Foroughi held 60.9% of the Company’s aggregate voting power, which was alone sufficient to qualify AppLovin as a “controlled company” within the meaning of NASDAQ corporate governance requirements. Beyond this supermajority (and after

1 KKR sold its voting power through a massive \$1.6 billion insider sale), no other shareholder
2 beneficially owned more than 2% of the total voting power. This allocation of voting power allowed
3 Foroughi and Chen to maintain significant influence and control of the Board such that they could
4 direct how it voted.

5 179. Foroughi and Chen are also parties to a voting agreement whereby all of the Class B
6 common stock held by them and their respective permitted entities will be voted as they determine.
7 The Company's SEC filings recognize that Foroughi and Chen "will collectively be able to
8 determine or significantly influence any action requiring the approval of our stockholders, including
9 the election of our Board of Directors, the adoption of amendments to our certificate of incorporation
10 and bylaws, and the approval of any merger, consolidation, sale of all or substantially all of our
11 assets, or other major corporate transaction." According to a *Forbes* article dated November 23,
12 2024, "Chen will continue to have significant influence at AppLovin as a board member and
13 advisor" because of the voting power of Chen's Class B shares.

14 180. Foroughi's and Chen's voting power gave them significant control over the
15 Company, such that the high-level, Company-wide decisions involving in the fraud alleged herein
16 could not have been made without their participation and approval.

17 **D. AppLovin Immediately Initiated a Stock Buy-Back to Rebut**
18 **Investigative Reports and Prop Up Stock Price**

19 181. Almost immediately on the heels of the Culper and Fuzzy Panda Reports, AppLovin
20 authorized and issued a massive stock buyback in an effort to prop up the Company's declining
21 stock price.

22 182. On February 28, 2025, the Company announced an expansion of its share repurchase
23 program to allow for the immediate availability of an additional half a billion dollars for the
24 repurchase of its Class A common stock notwithstanding restrictions previously imposed by the
25 Company's stock repurchase program.

26 183. According to a Form 8-K filed with the SEC after the market closed on February 28,
27 2025, as of February 27, 2025, AppLovin "had approximately \$1.772 billion remaining available
28 under its share repurchase program," subject to a quarterly repurchase limit equal to the Company's

1 free cash flow from the preceding fiscal quarter. Accordingly, in 1Q25, the Company could
2 repurchase up to \$695 million of AppLovin Class A common stock.

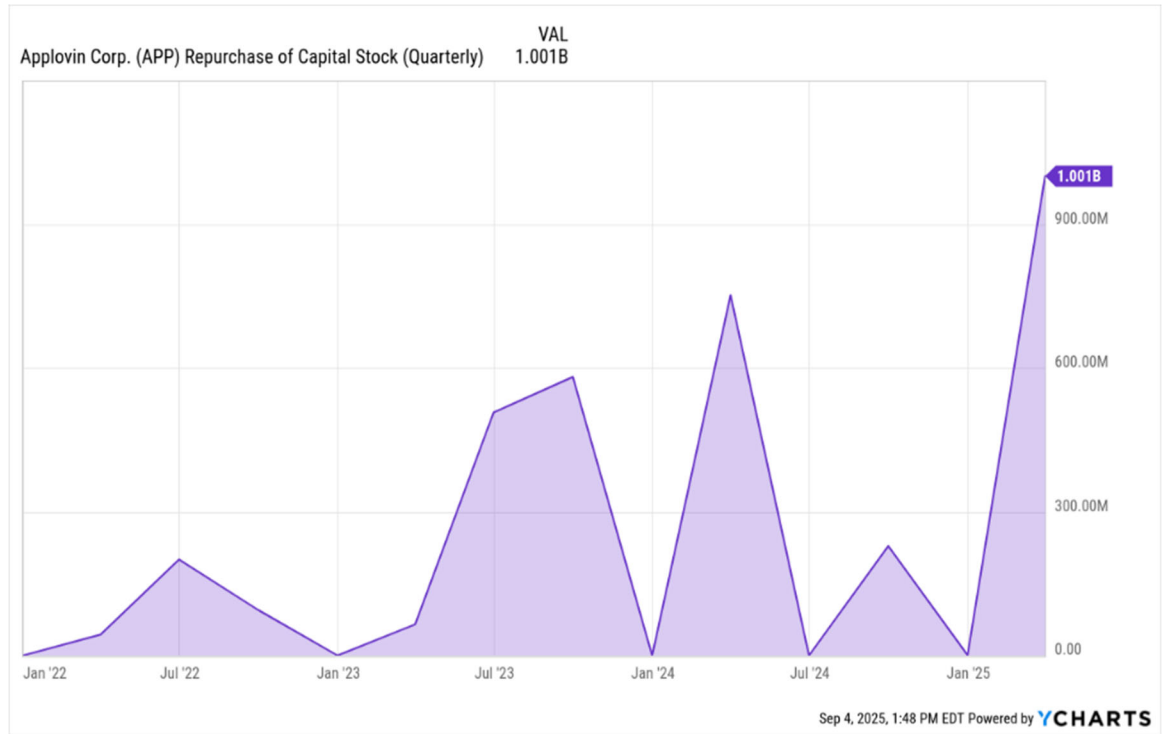
3 184. On February 28, 2025, the Company's Board voted to authorize the immediate
4 modification of the Company's share repurchase program to make an additional \$500 million
5 immediately available for stock repurchases, notwithstanding the free cash flow limitation.

6 185. Analysts at Jeffries reported that they were "encouraged" by the Company's
7 repurchase decision, noting "[a]fter not buying back any shares in Q4 [2024], we were encouraged to
8 see APP announce they are making \$500M available to repurchase. This is notwithstanding the
9 amount that otherwise would have remained available during the quarter under the prior [free cash
10 flow] limitation."

11 186. Media sources reported that "[s]hares of AppLovin . . . gained 6% as the company
12 announced a substantial \$500 million immediate availability for share repurchases." According to
13 that article, the Company's repurchase was "a strategic response to the stock's 22% drop" resulting
14 from the disclosure of negative investigative reports the week prior.

15 187. According to the Company's Form 10-Q filed with the SEC on May 7, 2025, during
16 1Q25, the Company repurchased and subsequently retired 2.9 million shares of Class A common
17 stock for an aggregate amount of \$1.0 billion.

18 188. The Company's 1Q25 repurchase represented the single largest share repurchase in
19 the Company's history:
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21
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189. In conjunction with its 1Q25 earnings results, the announcement of the 2.9 million share repurchase triggered an immediate 11.8% increase in the price of AppLovin's Class A common stock from a close price of \$303.46 on May 7, 2025 to a close price of \$339.51 on May 8, 2025, with analysts reiterating that AppLovin's 1Q25 repurchase was the Company's "highest qtrly repurchase ever."

E. AppLovin's Senior Executives' History with Deceptive Ad Practices

190. AppLovin's reliance on deceptive practices is consistent with the track record of its CEO and senior executives. Foroughi previously worked at Claria Corporation (formerly known as Gator Corporation), one of the first major spyware companies that was notorious for silently installing adware on users' computers, and whose name is now synonymous with "a type of adware or software that displayed or downloaded advertising automatically onto a person's computer."²⁶ Foroughi later co-founded Social Hour, an ad network company banned by Facebook from advertising on its platform in 2009 for "deceptive content" that posed a "potential threat" to their users' experience. These prior ventures reveal a consistent pattern: Foroughi repeatedly worked at

²⁶ Investopedia, *Gator: What It Means, How It Works, Adware*, <https://www.investopedia.com/terms/g/gator.asp> (last accessed Sep. 12, 2025).

1 and built companies premised upon deceptive advertising practices and exploitation of users for
2 profit.

3 191. At AppLovin, Foroughi surrounded himself with former colleagues from these prior
4 ventures, and employed similar tactics to artificially inflate performance metrics while misleading
5 investors. According to the Culper Report: (a) “AppLovin’s co-founder and VP of Product Andrew
6 Karam worked at Lifestreet, Style Page, and Social Hour, all founded by Foroughi”; (b) “AppLovin
7 Director Eduardo Vivas co-founded Social Hour”; (c) “AppLovin’s co-founder, former CTO, and
8 major shareholder John Krystynak was formerly the CTO of Social Hour”; (d) “AppLovin’s GM of
9 New Initiatives Rafeal Vivas [Eduardo Vivas’s brother] was Director of Business Development at
10 Social Hour”; and (e) “AppLovin Finance and Accounting executive Patrick McNenny previously
11 served as VP of Finance at Lifestreet.”

12 192. As described above, AppLovin’s purported “success” was the result of deceptive
13 growth hacks, manipulation of attribution, and unauthorized tracking (*see* §V, *supra*)—schemes that
14 were enabled and perpetuated by Defendants’ installation of trusted executives who ensured these
15 practices became embedded in the Company’s operations.

16 **F. Defendants Foroughi and Stumpf Signed SOX Certifications Attesting**
17 **that They Personally Supervised AppLovin’s Controls and**
Procedures

18 193. The SOX certifications²⁷ signed by Foroughi and Stumpf further evidence scienter.
19 Foroughi and Stumpf signed SOX certifications filed with AppLovin’s Form 10-K for FY24
20 representing that they were both “responsible for establishing and maintaining disclosure controls
21 and procedures . . . and internal control over financial reporting” and that the Company’s financial
22 disclosures fairly and accurately presented its financial condition. In AppLovin’s Form 10-K for
23 FY24, the “Controls and Procedures” section states:

24 Our management, with the participation and supervision of our principal
25 executive officer and our principal financial officer, has evaluated the effectiveness
of our disclosure controls and procedures . . . as of the end of the period covered by

26 ²⁷ Exchange Act Rules 13a-14(a) and 15(d)-14(a), as adopted pursuant to §302 of SOX, require an
27 issuer’s principal executive and financial officers to certify that: (a) the information contained in the
28 issuer’s annual reports is accurate and reliable; and (b) they have taken certain actions with respect
to establishing and maintaining disclosure controls and procedures for the collection and reporting of
financial and other information.

1 this Annual Report on Form 10-K. Based on such evaluation, our principal executive
2 officer and principal financial officer have concluded that, as of such date, our
3 disclosure controls and procedures were effective at a reasonable assurance level as
4 of December 31, 2024.

5 194. Certifications pursuant to SOX are not directed solely at ensuring numerical accuracy
6 and preventing dishonest accounting practices, and any interpretation restricting the statute's scope
7 to these purposes would be artificially narrow and inconsistent with the remedial purpose of the
8 statute. The SEC interprets the fair presentation of companies' financial results to include any
9 additional disclosure necessary to provide investors with a materially accurate and complete picture
10 of an issuer's financial condition. Here, the inference of Foroughi's and Stumpf's scienter is
11 enhanced by the SOX-mandated certifications they signed, which acknowledged their responsibility
12 to investors for establishing and maintaining controls to ensure that material information about
13 AppLovin was made known to them and that the Company's disclosure related controls were
14 operating effectively.

15 **VIII. LOSS CAUSATION AND ECONOMIC LOSS**

16 195. The market for shares of AppLovin Class A common stock was open, well-
17 developed, and efficient during the Class Period. Throughout the Class Period, AppLovin Class A
18 common stock traded at artificially inflated prices as a direct result of Defendants' deceptive
19 conduct, materially false and misleading statements, and omissions of material fact, which were
20 widely disseminated to the securities market, investment analysts, and the investing public. Lead
21 Plaintiffs and other members of the Class (defined below) purchased AppLovin Class A common
22 stock relying upon the integrity of its market price and market information relating to AppLovin, and
23 have been damaged thereby.

24 196. When the relevant truth and its impact on AppLovin's financial results and prospects
25 entered the market through a series of partial disclosures, the price of AppLovin Class A common
26 stock significantly dropped, as the artificial inflation came out of the stock price over time. As a
27 result of their purchases of AppLovin Class A common stock during the Class Period, Lead
28 Plaintiffs suffered economic loss (*i.e.*, damages) under the federal securities laws.

197. The corrective impact of the initial disclosures alleged herein, however, was tempered by Defendants' ongoing conduct and misleading statements and omissions that continued to conceal the true nature of Defendants' fraud. Each partial disclosure did not on its own fully remove the inflation from AppLovin's stock price because it only partially revealed the nature and extent of the fallout from Defendants' previously concealed misconduct. Defendants' ongoing misrepresentations and omissions maintained the price of AppLovin Class A common stock at artificially inflated levels.

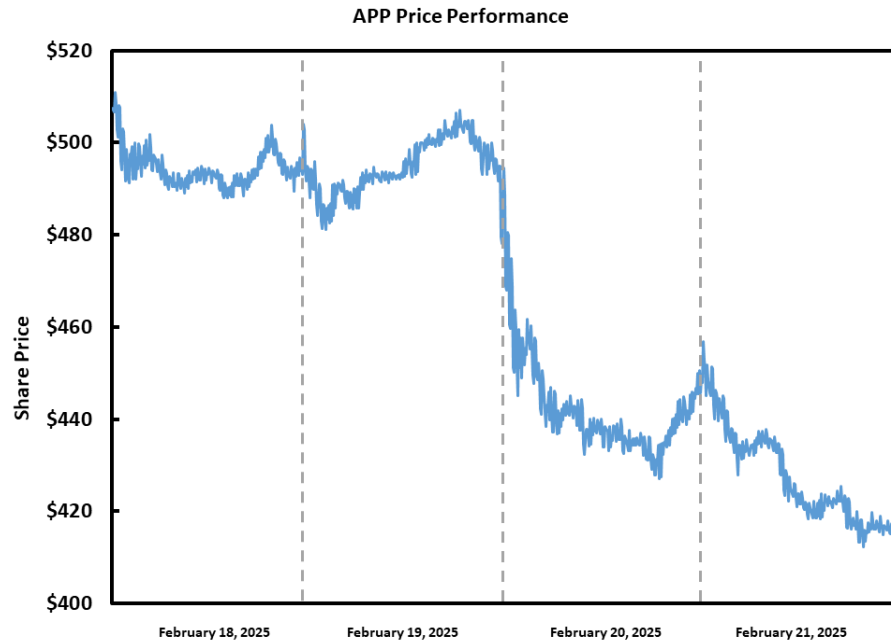
198. The disclosures that corrected the market price of AppLovin Class A common stock are detailed below. These stock price declines were due to firm-specific, fraud-related disclosures and not the result of market, industry, or firm-specific, non-fraud factors.

A. February 20, 2025—Bear Cave Report

199. On February 20, 2025, the Bear Cave Report and *The Capitol Forum* article partially revealed to the market the true facts regarding AppLovin's deceptive mobile advertising practices and the sustainability and prospective growth of the Company's e-commerce initiative. See §IV.D.1., *supra*.

200. Investors reacted negatively to this news. As shown in the chart below, the price of AppLovin's Class A common stock fell \$44.16 from a close of \$494.17 on February 19, 2025, to close at \$450.01 on February 20, 2025 (-8.9%) in response to these disclosures. That same day, both the S&P 500 and the S&P 500 Information Technology Index ("S&P Info Tech") remained largely unchanged, each declining less than half of one percent that trading day.²⁸

²⁸ AppLovin's annual reports on Form 10-K compared the performance of its returns of its Class A common stock to the returns of the S&P 500 and the S&P Info Tech.



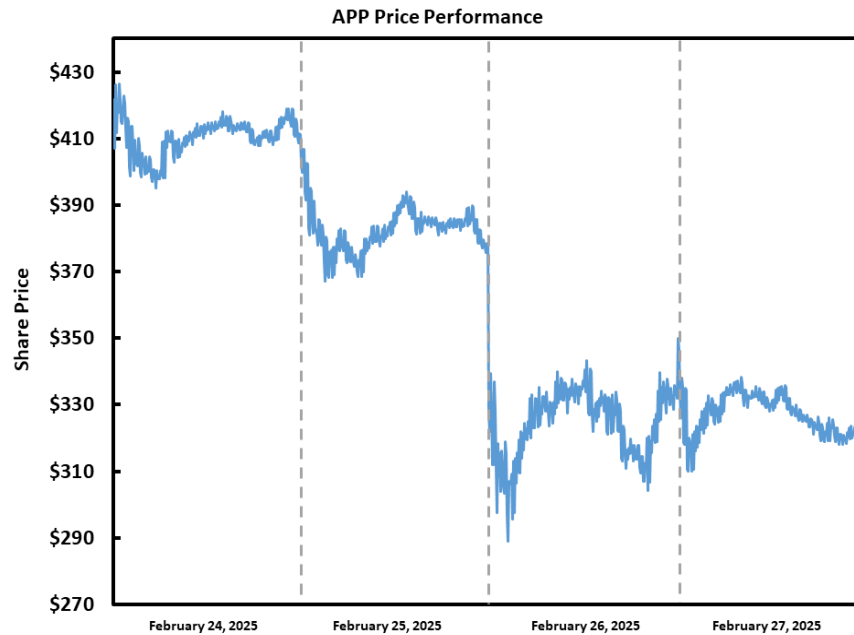
201. Numerous media outlets attributed the 9% single-day stock price decline on February 20, 2025 to the Bear Cave Report, citing its revelations of AppLovin’s “low quality” revenue growth and “skepticism regarding the sustainability of AppLovin’s rapid growth.” Other media noted “AppLovin Stock Crashes After Edwin Dorsey’s Bear Cave Alleges Potential ‘Advertising Fraud’ – Retail Mood Stays Deflated.”

202. According to a February 20, 2025 *Investing.com* article, “[t]he Bear Cave’s investigation into AppLovin’s ad operations *has introduced a new level of uncertainty for investors*, who may be reevaluating the risk profile associated with the [C]ompany’s stock,” and “[t]he [C]ompany’s stock price movement is *indicative of the serious nature of the claims and the potential impact on investor sentiment.*”

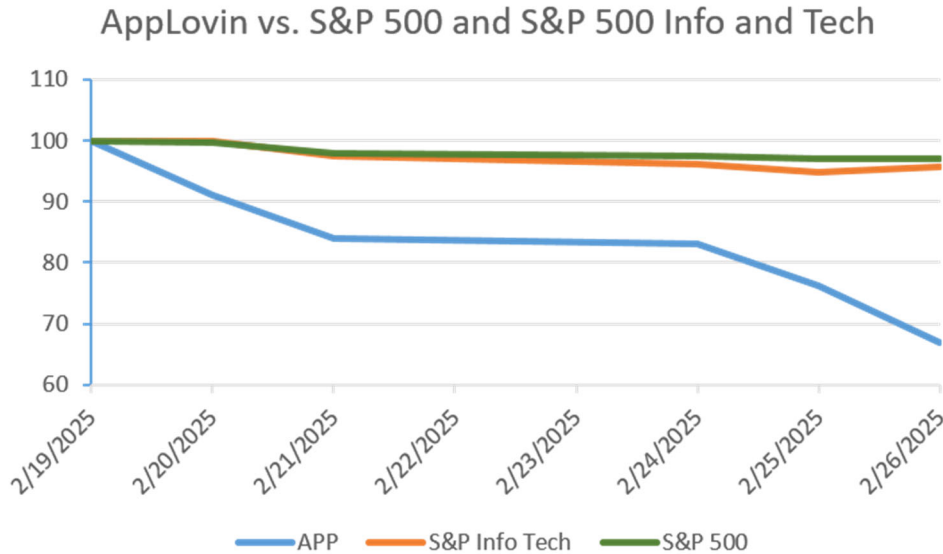
B. February 26, 2025—Culper and Fuzzy Panda Reports

203. On February 26, 2025, the Culper and Fuzzy Panda Reports revealed further new information to the market regarding AppLovin’s e-commerce pilot and improper installation tactics to artificially boost revenue. *See* §IV.D.2., *supra*. As described above, those reports revealed that AppLovin was essentially “stealing” Meta’s homework to claim attribution for the Company’s nascent e-commerce business, while simultaneously inflating cost-per-installation revenue generated from hidden, backdoor app installations. *See id.*

204. As shown in the chart below, AppLovin's stock price plummeted in response to the February 26, 2025 disclosures in the Culper and Fuzzy Panda Reports. The price of the Company's Class A common stock fell from a closing price of \$377.06 per share on February 25, 2025 to a closing price of \$331 per share on February 26, 2025, reflecting a \$46.06 (-12.2%) decline from the day prior on usually high trading volume.



205. As further illustrated by the below chart, the timing and magnitude of the decline in the price of AppLovin Class A common stock when compared to the price movements in the S&P 500 and the S&P Info Tech on February 20 and February 26, 2025 negates any inference that the losses suffered by Lead Plaintiffs and other Class members were caused by changed market conditions, macroeconomic factors, or Company-specific facts unrelated to AppLovin and the Individual Defendants' fraudulent conduct.

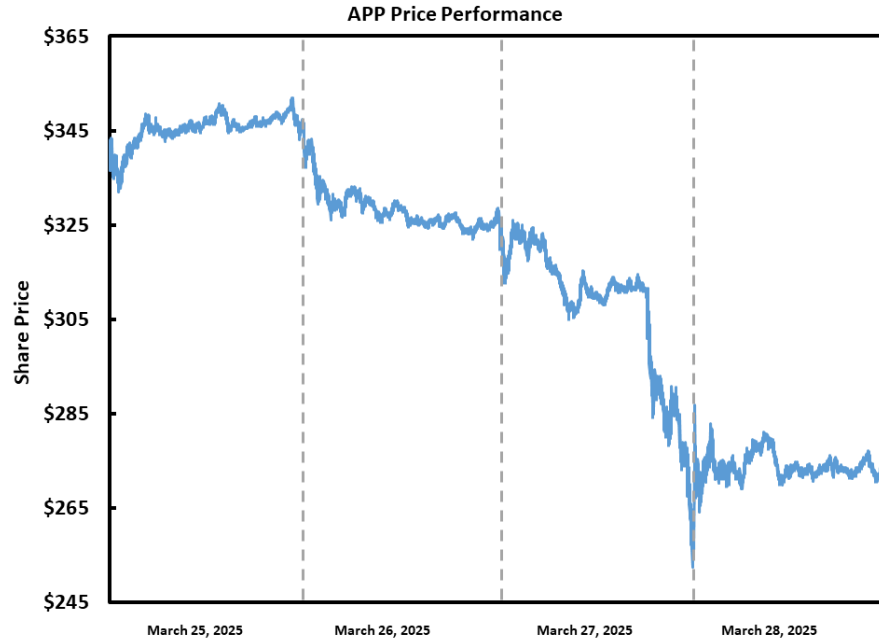


206. Numerous media outlets directly tied the drop in AppLovin’s stock price to the Culper and Fuzzy Panda Reports published on February 26, 2025, with *CNBC* reporting that same day that “[s]hares of AppLovin closed down 12% Wednesday as two short seller reports cast doubt on the integrity of the company’s artificial intelligence-powered AXON advertising software.”

C. March 27, 2025—Muddy Waters Report

207. On March 27, 2025, the Muddy Waters Report revealed further new information to the market regarding the Company’s deceptive advertising practices and e-commerce business. *See* §IV.D.3., *supra*. The Muddy Waters Report revealed that, *inter alia*, a majority of AppLovin’s e-commerce conversions are due to retargeting, not net new customers, and that AppLovin was “impermissibly extracting proprietary IDs from Meta, Snap, Tiktok, Reddit, Google, and others.” *See id.*

208. As shown in the chart below, the price of AppLovin’s Class A common stock plunged \$65.92 (-20.1%) on unusually high trading volume in response to the Muddy Waters Report—falling from a closing price of \$327.62 on March 26, 2025 to a closing price of \$261.70 on March 27, 2025. In contrast, the S&P 500 and the S&P Info Tech remained largely unchanged that trading day, with each declining less than one percentage point.



209. Numerous media outlets directly attributed the March 27, 2025 price decline to the Muddy Waters Report, with *CNBC* and *Bloomberg* reporting that same day that AppLovin’s 20% price decline was the “steepest drop on record” and that the “record one-day drop” came after Muddy Waters “raised concerns about the company’s digital ad technology.”

IX. APPLICABILITY OF THE PRESUMPTION OF RELIANCE: THE FRAUD-ON-THE-MARKET DOCTRINE

210. Lead Plaintiffs will rely, in part, upon the presumption of reliance established by the fraud-on-the-market doctrine in that:

- Defendants made public misrepresentations or failed to disclose material facts during the Class Period;
- the misrepresentations and omissions were material;
- AppLovin Class A common stock traded in an efficient market;
- the Company’s common stock is liquid and was heavily traded during the Class Period;
- the Company’s common stock traded on the NASDAQ and was covered by multiple analysts; and
- Lead Plaintiffs purchased AppLovin Class A common stock between the time Defendants misrepresented or failed to disclose material facts and the time the true facts were disclosed, without knowledge of the misrepresented or omitted facts.

211. Based upon the foregoing, Lead Plaintiffs are entitled to a presumption of reliance upon the integrity of the market.

212. Lead Plaintiffs are also entitled to the presumption of reliance established by the Supreme Court in *Affiliated Ute Citizens of Utah v. United States*, 406 U.S. 128 (1972), as Defendants committed deceptive acts in furtherance of their scheme and omitted material information in their Class Period statements in violation of a duty to disclose such information, as detailed above.

X. CLASS ACTION ALLEGATIONS

213. Lead Plaintiffs bring this action as a class action pursuant to Federal Rule of Civil Procedure 23(a) and (b)(3) on behalf of a Class, consisting of all those who purchased or otherwise acquired AppLovin Class A common stock during the Class Period (the “Class”) and were damaged thereby. Excluded from the Class are Defendants, officers and directors of the Company, at all relevant times, members of their immediate families and their legal representatives, heirs, successors or assigns, and any entity in which Defendants have or had a controlling interest.

214. The members of the Class are so numerous that joinder of all members is impracticable. Throughout the Class Period, AppLovin Class A common stock was actively traded on the NASDAQ. While the exact number of Class members is unknown to Lead Plaintiffs at this time and can be ascertained only through appropriate discovery, Lead Plaintiffs believe that there are hundreds or thousands of members in the proposed Class. Record owners and other members of the Class may be identified from records maintained by AppLovin or its transfer agent and may be notified of the pendency of this action by mail, using the form of notice similar to that customarily used in securities class actions.

215. Lead Plaintiffs’ claims are typical of the claims of the members of the Class as all members of the Class are similarly affected by Defendants’ wrongful conduct in violation of federal law that is complained of herein.

216. Lead Plaintiffs will fairly and adequately protect the interests of the members of the Class and have retained counsel competent and experienced in class and securities litigation. Lead Plaintiffs have no interests antagonistic to or in conflict with those of the Class.

217. Common questions of law and fact exist as to all members of the Class and predominate over any questions solely affecting individual members of the Class. Among the questions of law and fact common to the Class are:

- whether the federal securities laws were violated by Defendants' acts as alleged herein;
- whether statements made by Defendants to the investing public during the Class Period misrepresented material facts about the business, operations, prospects, and/or management of AppLovin;
- whether statements made by Defendants to the investing public during the Class Period omitted material facts necessary to make the statements made neither false nor misleading;
- whether Defendants acted knowingly or with reckless disregard for the truth;
- whether the price of AppLovin Class A common stock during the Class Period was artificially inflated because of Defendants' conduct complained of herein; and
- whether the members of the Class have sustained damages and, if so, what is the proper measure of damages.

218. A class action is superior to all other available methods for the fair and efficient adjudication of this controversy since joinder of all members is impracticable. Furthermore, as the damages suffered by individual Class members may be relatively small, the expense and burden of individual litigation make it impossible for members of the Class to individually redress the wrongs done to them. There will be no difficulty in the management of this action as a class action.

XI. CAUSES OF ACTION

COUNT I For Violation of §10(b) of the Exchange Act and Rule 10b-5 Promulgated Thereunder Against All Defendants

219. Lead Plaintiffs repeat and reallege each and every allegation set forth above as if fully set forth herein.

220. This Count is based upon §10(b) of the Exchange Act, 15 U.S.C. §78j(b), and SEC Rule 10b-5 promulgated thereunder, and is brought against all Defendants.

221. Pursuant to the above wrongful course of conduct, Defendants participated directly or indirectly in the preparation and/or issuance of the quarterly and annual reports, SEC filings, press releases, and other documents described above, such as statements made to securities analysts and

1 the media that were designed to influence the market for AppLovin Class A common stock. Such
2 reports, filings, releases, and statements were materially false and misleading in that they failed to
3 disclose material adverse information and misrepresented the truth about AppLovin's finances and
4 business prospects.

5 222. By virtue of their ownership and/or positions at AppLovin, the Individual Defendants
6 had actual knowledge of the materially false and misleading statements and material omissions
7 alleged herein and intended thereby to deceive Lead Plaintiffs and the market, or, in the alternative,
8 the Individual Defendants acted with reckless disregard for the truth in that they failed or refused to
9 ascertain and disclose such facts as would reveal the false and misleading nature of the statements
10 made, although such facts were readily available to the Individual Defendants. Those acts and
11 omissions were committed willfully or with reckless disregard for the truth.

12 223. Information showing that the Individual Defendants acted knowingly or with reckless
13 disregard for the truth is peculiarly within their knowledge and control. As executive officers of
14 AppLovin, the Individual Defendants had knowledge of the details of AppLovin's internal affairs.

15 224. Defendants are directly and indirectly liable for the wrongs complained of herein.
16 Because of their positions of control and authority, the Individual Defendants were able to and did,
17 directly or indirectly, control the content of the statements of AppLovin. As officers of a publicly
18 held company, the Individual Defendants had a duty to disseminate timely, accurate, and truthful
19 information with respect to AppLovin's businesses, operations, future financial condition, and future
20 prospects. As a result of Defendants' misconduct, the market price of AppLovin Class A common
21 stock was artificially inflated throughout the Class Period. Unaware of the adverse facts concerning
22 AppLovin's business and financial condition that were concealed by Defendants, Lead Plaintiffs
23 purchased AppLovin Class A common stock at artificially inflated prices and in doing so relied upon
24 the price of the common stock, the integrity of the market for the common stock, and/or upon
25 statements disseminated by Defendants, and were damaged thereby.

26 225. During the Class Period, AppLovin Class A common stock was traded on an active
27 and efficient market. Lead Plaintiffs, relying upon the integrity of the market, purchased AppLovin
28 Class A common stock at prices artificially inflated by Defendants' wrongful conduct. Had Lead

1 Plaintiffs known the truth, they would not have purchased said AppLovin Class A common stock, or
2 would not have purchased them at the inflated prices paid. At the time of the purchases and/or
3 acquisitions by Lead Plaintiffs, the true value of AppLovin Class A common stock was substantially
4 lower than the prices paid by Lead Plaintiffs. The market price of AppLovin Class A common stock
5 declined upon public disclosure of the facts alleged herein to the injury of Lead Plaintiffs.

6 226. By reason of the conduct alleged herein, Defendants knowingly or recklessly, directly
7 or indirectly, have violated §10(b) of the Exchange Act, 15 U.S.C. §78j(b), and SEC Rule 10b-5
8 promulgated thereunder.

9 227. As a direct and proximate result of Defendants' wrongful conduct, Lead Plaintiffs
10 suffered damages in connection with their respective purchases, acquisitions, and/or sales of
11 AppLovin Class A common stock during the Class Period, as the truth about AppLovin's operations
12 and prospects began to be disclosed to the investing public.

13 **COUNT II**
14 **For Violation of §20(a) of the Exchange Act**
Against All Defendants

15 228. Lead Plaintiffs repeat and reallege each and every allegation set forth above as if fully
16 set forth herein.

17 229. This Count is based upon §20(a) of the Exchange Act, 15 U.S.C. §78t(a), and is
18 brought against all Defendants.

19 230. During the Class Period, the Individual Defendants participated in and oversaw the
20 operation and management of AppLovin, and conducted and participated, directly and indirectly, in
21 the conduct of AppLovin's business affairs. The Individual Defendants exercised control over
22 AppLovin's operations and possessed the power to control, and did control, the specific activities
23 which comprise the primary violations about which Lead Plaintiffs complain.

24 231. The Individual Defendants acted as controlling persons of AppLovin within the
25 meaning of §20(a) of the Exchange Act. By virtue of their senior management positions as officers
26 and/or directors of AppLovin, their participation in and awareness of the Company's operations, and
27 their personal knowledge of the statements filed by the Company with the SEC and/or disseminated
28 to the investing public, these defendants had the power to influence and control and did influence

1 and control, directly or indirectly, AppLovin's decision-making, including the content and
2 dissemination of the allegedly false and misleading statements and other acts in furtherance of a
3 fraudulent scheme.

4 232. In particular, each of the Individual Defendants had direct or supervisory
5 responsibility over the day-to-day operations of the Company and, therefore, is presumed to have
6 had the power to control or influence the particular business and/or operating practices and
7 expenditures and deficient control environment giving rise to the securities violations alleged in
8 Count I, and exercised that power.

9 233. AppLovin had the power to control and influence the Individual Defendants and other
10 Company executives through its power to hire, fire, supervise, and otherwise control the actions of
11 its employees and their salaries, bonuses, incentive compensation, and other employment
12 considerations. By virtue of the foregoing, AppLovin had the power to influence and control, and
13 did influence and control, directly or indirectly, the decision-making of the Individual Defendants
14 including the content of their public statements.

15 234. As a direct and proximate result of Defendants' wrongful conduct, Lead Plaintiffs
16 suffered damages in connection with their purchases and/or acquisitions of AppLovin Class A
17 common stock during the Class Period when the relevant truth was revealed.

18 235. By reason of the foregoing, the Defendants in this Count violated §20(a) of the
19 Exchange Act.

20 **COUNT III**
21 **For Violation of §20A of the Exchange Act**
22 **Against the Individual Defendants**

23 236. Lead Plaintiffs repeat and reallege each and every allegation set forth above as if fully
24 set forth herein.

25 237. This Count is based upon §20A of the Exchange Act, 15 U.S.C. §78t-1, and is
26 brought against the Individual Defendants on behalf of Lead Plaintiffs who were damaged by these
27 defendants' insider trading.

28 238. As detailed herein, the Individual Defendants were in possession of material,
nonpublic information concerning AppLovin. They took advantage of their possession of material,

1 nonpublic information regarding AppLovin to obtain millions of dollars in insider trading profits
2 during the Class Period.

3 239. As set forth in **Appendix 2**, the Individual Defendants' sales of AppLovin shares
4 were made contemporaneously with Lead Plaintiffs' purchases of AppLovin shares during the Class
5 Period.

6 240. Lead Plaintiffs who purchased shares of AppLovin shares contemporaneously with
7 sales by these defendants suffered damages because: (a) in reliance on the integrity of the market,
8 they paid artificially inflated prices as a result of the violations of §§10(b) and 20(a) of the Exchange
9 Act as alleged herein; and (b) they would not have purchased AppLovin Class A common stock at
10 the prices they paid, or at all, if they had been aware that the market prices had been artificially
11 inflated by the misconduct alleged herein.

12 **XII. PRAYER FOR RELIEF**

13 WHEREFORE, Lead Plaintiffs demand judgment against Defendants as follows:

14 A. Declaring this action to be a class action properly maintained pursuant to Federal
15 Rule of Civil Procedure 23(a) and (b)(3) and certifying Lead Plaintiffs as Class Representatives and
16 Grant & Eisenhofer P.A. and Robbins Geller Rudman & Dowd LLP as Class Counsel.

17 B. Awarding compensatory damages in favor of Lead Plaintiffs against all Defendants,
18 jointly and severally, for all damages sustained as a result of Defendants' wrongdoing, in an amount
19 to be proven at trial, including interest thereon.

20 C. Awarding Lead Plaintiffs their reasonable costs and expenses incurred in this action,
21 including reasonable attorneys' fees, accountants' fees, and experts' fees, and other costs and
22 disbursements.

23 D. Awarding Lead Plaintiffs such other injunctive or equitable relief, including
24 disgorgement and/or the imposition of a constructive trust, that may be deemed just and proper by
25 the Court.

XIII. JURY DEMAND

Lead Plaintiffs hereby demand a trial by jury.

DATED: September 12, 2025

/s/ J. Marco Janoski Gray

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DATED: September 12, 2025

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APPENDIX 1

Individual Defendants' Class Period Sales of AppLovin Class A Common Stock

Foroughi's Insider Sales				
Transaction Date	Daily Proceeds	Daily Shares Sold	Average Sale Price (Daily Proceeds/Daily Shares Sold)	Code
11/20/2024	\$258,350,540	794,387	\$352.22	F
12/09/2024	\$17,280,661	50,000	\$345.61	S
12/10/2024	\$16,606,318	50,000	\$332.13	S
12/11/2024	\$16,597,378	50,000	\$331.95	S
02/20/2025	\$4,114,441	9,143	\$450.01	F
02/21/2025	\$18,999,624	45,000	\$422.21	S
02/24/2025	\$18,481,607	45,000	\$410.70	S
TOTAL	\$350,430,570	1,043,530		

Chen's Insider Sales				
Transaction Date	Daily Proceeds	Daily Shares Sold	Average Sale Price (Daily Proceeds/Daily Shares Sold)	Code
12/09/2024	\$59,558,140	172,351	\$345.56	S
12/10/2024	\$72,197,060	217,649	\$331.71	S
12/11/2024	\$33,307,352	100,000	\$333.07	S
12/12/2024	\$32,945,713	100,000	\$329.46	S
02/28/2025	\$64,930,457	200,000	\$324.65	S
TOTAL	\$262,938,721	790,000		

Stumpf's Insider Sales				
Transaction Date	Daily Proceeds	Daily Shares Sold	Average Sale Price (Daily Proceeds/Daily Shares Sold)	Code
11/20/2024	\$9,894,493	30,424	\$325.22	F
11/22/2024	\$7,019,627	21,101	\$332.67	S
TOTAL	\$16,914,120	51,525		

Shikin's Insider Sales				
Transaction Date	Daily Proceeds	Daily Shares Sold	Average Sale Price (Daily Proceeds/ Daily Shares Sold)	Code
11/20/2024	\$16,828,509	51,745	\$325.22	F
11/21/2024	\$189,573,540	593,588	\$319.37	S
11/22/2024	\$51,735,181	165,986	\$311.68	S
11/25/2024	\$74,746,660	230,000	\$324.99	S
02/20/2025	\$9,633,814	21,408	\$450.01	F
03/10/2025	\$19,936,371	82,500	\$241.65	S
TOTAL	\$362,454,075	1,145,227		

APPENDIX 2

Individual Defendants' Class Period Sales Made Contemporaneously
with Lead Plaintiffs' Purchases

Defendant ("Def.") or Lead Plaintiff ("Pl.")	Transaction Date	Price	Shares Sold (Def.) or Bought (Pl.)	Proceeds (Def.) or Cost (Pl.)
Foroughi	11/20/2024	\$325.22	794,387	\$258,350,540
Shikin	11/20/2024	\$325.22	51,745	\$16,828,509
Stump	11/20/2024	\$325.22	30,424	\$9,894,493
Shikin	11/21/2024	\$319.37	593,588	\$189,573,540
Shikin	11/22/2024	\$311.68	165,986	\$51,735,181
Stumpf	11/22/2024	\$332.67	21,101	\$7,019,627
Shikin	11/25/2024	\$324.99	230,000	\$74,746,660
Chen	12/09/2024	\$345.56	172,351	\$59,558,140
Foroughi	12/09/2024	\$345.61	50,000	\$17,280,661
Chen	12/10/2024	\$331.71	217,649	\$72,197,060
Foroughi	12/10/2024	\$332.13	50,000	\$16,606,318
Chen	12/11/2024	\$333.07	100,000	\$33,307,352
Foroughi	12/11/2024	\$331.95	50,000	\$16,597,378
Chen	12/12/2024	\$329.46	100,000	\$32,945,713
NorCal Pipe	12/19/2024	\$319.72	2,536	\$810,810
NorCal Pipe	12/20/2024	\$332.18	2,392	\$794,575
NorCal Pipe	01/29/2025	\$366.78	1,786	\$655,069
NorCal Pipe	01/30/2025	\$377.33	485	\$183,005
Monroe County	02/13/2025	\$502.36	5	\$2,512
Monroe County	02/13/2025	\$459.44	200	\$91,888
Monroe County	02/13/2025	\$471.67	200	\$94,334
Monroe County	02/14/2025	\$494.54	390	\$192,871
NorCal Pipe	02/14/2025	\$507.87	2,211	\$1,122,901
NorCal Pipe	02/18/2025	\$498.56	2,157	\$1,075,394
Foroughi	02/20/2025	\$450.01	9,143	\$4,114,441
Shikin	02/20/2025	\$450.01	21,408	\$9,633,814
Foroughi	02/21/2025	\$422.21	45,000	\$18,999,624
Foroughi	02/24/2025	\$410.70	45,000	\$18,481,607
Chen	02/28/2025	\$324.65	200,000	\$64,930,457
Shikin	03/10/2025	\$241.65	82,500	\$19,936,371
NorCal Pipe	03/19/2025	\$294.90	617	\$181,953